



Fiscal Review

Minnesota State Senate

2019 Session

A

Fiscal Review

of the

2019 Legislative Sessions

**Prepared by Minnesota State Senate
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http://www.senate.leg.state.mn.us/departments/scr/freview/2019/fiscal_review.pdf

Fiscal Projects Assistant

Senate Counsel, Research, and Fiscal Analysis (SCRFA) would like to thank Sara Parke for her dedicated work and significant contributions to the *2019 Fiscal Review*. Ms. Parke, a graduate student at the University of Minnesota's Humphrey School of Public Affairs, served SCRFA as the Fiscal Projects Assistant during the summer of 2019. Ms. Parke dedicated the summer to learning, analyzing, and writing about the Minnesota state budget. She made significant contributions to this year's document, including sections related to contingent appropriations, the budget reserve, chronic wasting disease, the opiate epidemic, the POST Board, MNLARS, the angel investor credit, and several appendices. Ms. Parke made valuable contributions to the entire document during the editing process, and contributed many new ideas and suggestions for improvements to the document during her time as the Fiscal Projects Assistant.

Cover Photography

The cover of the *2019 Fiscal Review* highlights the cantilevered staircase in the Minnesota State Capitol, which occupies a three-story oval space northeast of the building's rotunda. Each stair tread is attached on one end only, adjacent to the wall, which provides unobstructed views from the ground floor to the ornate stained-glass ceiling. The back cover of the report features additional photographs of State Capitol detail. David Oakes, Senate Photographer, has prepared the cover photography for the *Fiscal Review* document for over 30 years. The Office of Senate Counsel, Research, and Fiscal Analysis acknowledges and appreciates David Oakes's work and is pleased to again feature his photography on the *2019 Fiscal Review*.

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REPORT PREFACE

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

Minnesota operates on a biennial budget enacted in odd-year legislative sessions. A fiscal year begins on July 1 and ends on June 30. 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, in some cases 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.

Detailed budget tracking sheets can be found here: <http://www.senate.mn/tracking>

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 another 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 refer to sources of revenue that are dedicated for specific purposes. Amounts shown for authorized spending 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 the Department of Administration or the Department of Management and Budget, are funded through charges to other state agencies. In other words, money 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 2020-21) reflect appropriation levels enacted in the 2019 session and 2019 First Special Session. Amounts shown for the next biennium, often referred to as appropriation “tails” or the planning estimates, reflect estimates of future biennial spending, assuming current law programs are carried forward for another two years. The *2019 Fiscal Review* compares current biennial appropriations to budgeted spending in the previous biennium (FY 2018-19), as well as to the February 2019 budget forecast published by the Department of Management and Budget.

References to Session Law and Fiscal Years

In the *2019 Fiscal Review*, session laws enacted during the 2019 regular session are referred to simply with the appropriate chapter number. Laws enacted during the 2019 First Special Session are initially referred to as “2019 First Special Session” and a chapter number. Subsequent references to special session enactments are made only with the chapter number unless

an additional reference is needed to avoid confusion. Also, unless specifically noted, this report collectively refers to the 2019 regular session and the 2019 First Special Session together as “the 2019 sessions.” Finally, throughout this document, “fiscal year” will be abbreviated as “FY.”

Changes in 2019

The *2019 Fiscal Review* departs from the historical practice of organizing this document based on budget jurisdictions that mirror the Senate’s committee structure. In the past, whenever Senate budget jurisdictions have changed, which occurs frequently following a general election, the organization of the annual *Fiscal Review* changed as well. This practice reduced comparability of the *Fiscal Review* documents year-to-year. Beginning with the *2019 Fiscal Review*, the document will be organized with a standard budget jurisdiction that will be maintained in subsequent editions of this report. Executive branch agencies, the Judiciary, and the Legislature are allocated to budget jurisdictions that are similar in mission topically.

Traditionally, the annual *Fiscal Review* reports only on the fiscal activity enacted in the most recent regular legislative session and any associated special sessions. Beginning with the *2019 Fiscal Review*, the document places the recently enacted biennial fiscal activity in the context of the biennial spending and revenues that preceded it. Each chapter of the *2019 Fiscal Review* adds tables and charts that display the changes in net appropriations for the General Fund and nongeneral funds compared to the three previous biennia. The state revenues chapter provides a similar comparison for General Fund taxes over the same period. This addition allows a quick

comparison of the enacted changes in FY 2020-21 in each budget jurisdiction to the changes in previous biennia. Additionally, Appendix D on page 172 displays detailed net spending and appropriations in each budget jurisdiction for the General Fund and nongeneral funds from FY 2014 to FY 2021. Appendix D also includes the percentage change in spending in each successive biennium for the General Fund, nongeneral fund, and all funds.

Finally, beginning with the *2019 Fiscal Review*, the document is available in three separate formats to accommodate differing needs of readers. The traditional printed report format will be improved with the addition of color charts and tables. This

version of the report will also be published online as an exact replica of the original printed report. A third version of the report will be published online that includes embedded hyperlinks in the text of the report. The *2019 Fiscal Review* frequently refers to previous reports, session laws, and other documents. Hyperlinks in this version allow the reader to easily click through to the source material to see a previous discussion on the same topic or the base law that is referred to in the report.

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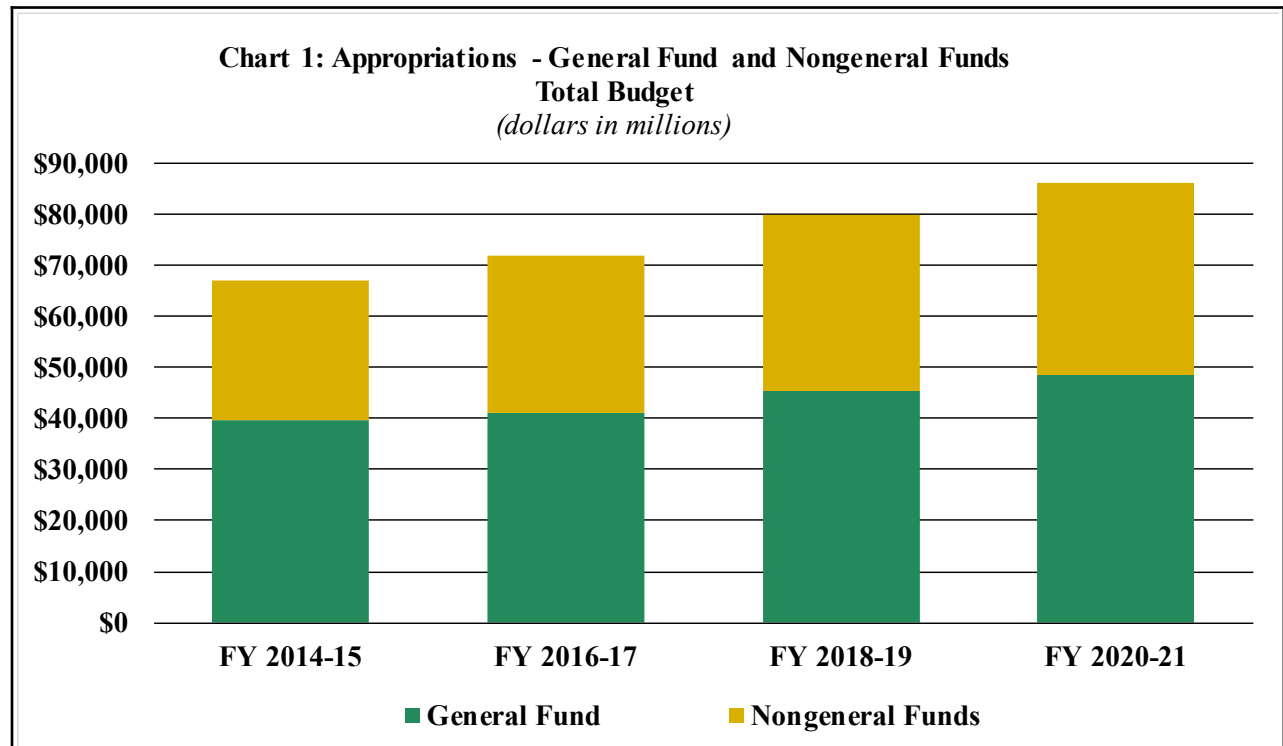
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CHAPTER 1 STATE BUDGET OVERVIEW

The primary focus of the 2019 regular legislative session and the subsequent one-day special session was the adoption of the FY 2020-21 biennial budget. The enactment of a balanced General Fund biennial budget is typically the principal focus during a session in an odd-numbered year. The February 2019 forecast projected a positive General Fund balance of \$1.1 billion for FY 2020-21 and a positive budgetary balance of \$946.4 million for FY 2022-23. The forecast also projected a positive Health Care Access Fund (HCAF) balance of \$61.2 million in FY 2020-21, but a negative balance of \$918.9 million in FY

2022-23. Together, these projections for the General Fund and the HCAF set the fiscal parameters of the 2019 session.

The 2019 sessions concluded with a completed General Fund budget that left \$241.9 million of the projected FY 2020-21 positive budgetary balance unallocated and a projected positive balance of \$62.6 million in FY 2022-23. The positive General Fund balances in the enacted budget were dependent upon balances carried forward from previous biennia and several one-time budget enactments. Overall, if carryforward



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resources are excluded, the enacted General Fund budget is structurally imbalanced between current revenues and expenditures by \$314.8 million in FY 2020-21 and \$576 million in the planning years of FY 2022-23. The budgetary balance for the HCAF in the enacted budget increased to \$456.7 million in FY 2020-21 and \$227.8 million in the planning years of FY 2022-23.

Total all funds appropriations increased in each of the past three biennia. Chart 1 displays total appropriations since FY 2014-15 and divides each biennium between the General Fund and the nongeneral funds. The enacted all funds budget in FY 2020-21 totaled \$86.8 billion, an increase of \$2.6 billion, or 3.1 percent, more than the February 2019 forecast, and an increase of \$5.7 billion, or 7.1 percent, more than FY 2018-19 appropriations. The FY 2018-19 all funds appropriations totaled \$81 billion, an increase of \$8.2 billion, or 11.3 percent, more than FY 2016-17. The FY 2016-17 all funds appropriations totaled \$72.7 billion, an increase of \$5.1 billion, or 7.5 percent, above FY 2014-15.

In FY 2020-21, General Fund appropriations were 55.9 percent of the total all funds budget. The General Fund budget in FY 2020-21 totaled \$48.5 billion, an increase of \$1.1 billion, or 2.3 percent, more than the February 2019 forecast, and an increase of \$3 billion, or 6.5 percent, more than FY 2018-19 appropriations. FY 2018-19 General Fund appropriations totaled \$45.5 billion, an increase of \$4.2 billion, or 10.3 percent, more than FY 2016-17. FY 2016-17 General Fund appropriations totaled \$41.3 billion, an increase of \$1.6 billion, or 4.1 percent, above FY 2014-15.

Enacted Laws

Twenty-four separate chapters were enacted to complete the FY 2020-21 budget during the 2019 regular session and the 2019 First Special Session, including supplementary changes to the FY 2018-19 budget. Of this total, 12 chapters were enacted during the regular session. Most of the FY 2020-21 budget was enacted in 12 separate omnibus finance acts, including an Omnibus Tax Act that included federal tax conformity. One of the omnibus acts was enacted during the regular session and 11 during the special session. A complete list of FY 2020-21 budget session laws is included in Appendix I on page 188.

This chapter provides a general overview of all legislative actions with fiscal implications that were enacted during the 2019 sessions and outlines the major components of the FY 2020-21 enacted budget. Chapter 2 examines changes to state tax revenues. Chapters 3 through 11 detail the changes enacted in the budget areas of E-12 Education; Higher Education; Property Tax Aids and Credits; Health and Human Services; Agriculture, Environment, and Natural Resources; Jobs, Commerce, and Energy; Judiciary and Public Safety; State Government and Veterans; and Transportation and Public Safety. Chapters 3 through 11 provide detailed tables that itemize the important enacted changes in each budget area and place those changes in a recent historical context. Chapter 12 discusses the Capital Investment changes enacted in the 2019 sessions. Chapter 12 also presents the debt service and capital projects portions of the budget and their changes in the previous three biennia.

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FY 2020-21 Summary

Although establishing a FY 2020-21 budget to fund the operations of state government was a primary focus, the 2019 sessions also addressed a series of noteworthy fiscal provisions. Among them was Minnesota's response to the significant changes to the federal tax structure enacted in 2017. Generally, the federal tax reform expanded income tax bases, limited deductions, and reduced rates for federal taxation. Because many states, including Minnesota, use federal tax base definitions for state taxation, the federal changes created significant conformity issues related to distributional effects among taxpayers, ease of administration and tax compliance, and net revenue collections. The Minnesota Legislature debated conformity during the 2018 legislative session, but did not enact legislation at that time.

In the 2019 sessions, the enacted budget aligned Minnesota's tax code with the federal code for most individual business taxes, which generated increased revenues, streamlined tax administration, and eased taxpayer compliance. For individuals, the enacted budget offset true conformity to the federal tax code by reducing income tax rates, establishing a higher standard deduction, preserving dependent exemptions, and significantly expanding the working family credit (WFC). It also reduced the statewide property tax for Minnesota businesses. The policy implications of federal tax conformity are discussed on page 29.

The 2019 sessions made several significant revenue and expenditure changes to the HCAF. In fact, the enacted budget's changes to the HCAF were closely linked to the enacted changes to the General Fund. These changes worked together to both balance the

General Fund budget and stabilize the negative budgetary balance in the HCAF. First, [2019 First Special Session, Chapter 6](#), the Omnibus Tax Act, repealed the sunset of the provider tax, and reduced the rate from two percent to 1.8 percent of gross revenues for patient services beginning on January 1, 2020. [2019 First Special Session, Chapter 9](#), the Omnibus Health and Human Services Act, increased FY 2020-21 appropriations and transfers out of the HCAF by \$427.6 million. Of this increase, \$270 million was for an appropriation to the medical assistance program (MA), which in previous biennia was appropriated from the General Fund. Moving this portion of the MA appropriation from the General Fund to the HCAF in FY 2020-21 reduced overall appropriations from the General Fund. Repealing the sunset of the provider tax also reinstated a transfer of \$244 million in FY 2022-23 from the HCAF to the General Fund. When the HCAF balance became negative in the February 2019 forecast for FY 2022-23, this transfer was eliminated and the General Fund balance in the forecast was reduced. Restoring the HCAF to a positive balance in FY 2022-23 also reinstated the transfer and increased resources to the General Fund in the planning years.

Because the HCAF and its linkage to the General Fund was such a significant component of the FY 2020-21 enacted budget, the *2019 Fiscal Review* examines the enacted changes in several different ways. Chapter 6 of this report details all changes in the Health and Human Services (HHS) budget, with emphasis on the HCAF and the provider tax. The details of the specific changes to the HCAF and provider tax are discussed on page 71. Appendix C presents a fund balance for the HCAF that compares the enacted budget to the February 2019 forecast, and Appendix G provides greater detail of the

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HHS changes in the FY 2020-21 enacted budget.

The 2019 regular session enacted [Chapter 2](#), which converted \$102.4 million of appropriation bonds supported by the Environment and Natural Resources Trust Fund to general obligation bonds. [2019 First Special Session, Chapter 13](#), enacted \$60 million of additional housing infrastructure bonds. Chapter 12 of this report examines these capital investment changes and General Fund supported debt service.

Breakout Sections

In addition to these actions, a series of other important fiscal policy changes occurred during the past year, some as a result of legislation enacted in prior years. Several specific sections in this report discuss these items.

- The November 2018 forecast increased the budget reserve by \$491.4 million. This increase resulted from three separate funding sources. The enacted budget reduced the budget reserve by \$491.4 million in the planning year of FY 2022. The details of the budget reserve changes including the forecasted and enacted changes are discussed on page 22. This review also examines the state budget reserve in comparison to the Department of Management and Budget (MMB) tax revenue volatility analysis, which recommends a budget reserve level for each biennium.
- [2019 First Special Session, Chapters 3 and 11](#), enacted three separate provisions that will appropriate and transfer up to \$63 million from the General Fund in FY 2020-21 if the final budgetary balance at the close of the FY 2018-19 biennium is

greater than anticipated when the budget was enacted. If sufficient conditions are met, these contingent provisions will transfer \$20 million to the disaster assistance contingency account, appropriate \$13 million to the Metropolitan Council for Metro Mobility, and appropriate \$30 million for safe schools supplemental aid. The details of these provisions are discussed on pages 24 and 187.

- The Commissioner of Revenue determined that the stadium reserve account in the General Fund was sufficiently funded for fiscal years 2019 through 2023. As a result, the commissioner exercised statutory authority and reduced a corporate franchise tax allocation to the stadium reserve, coinciding with the November 2018 forecast, from \$20 million each year to zero. This decision reduced the stadium reserve balance by \$100 million, and increased the General Fund balance by the same amount over five years. The details of this change are discussed on page 25.
- [2019 First Special Session, Chapter 6](#), allocated \$10 million in FY 2020 for the small business investment tax credit, commonly referred to as the angel investor tax credit. The angel investor tax credit is an income tax credit to investors that helps emerging small businesses by making it easier to raise capital through private investment. Chapter 6 also expanded the credit to improve the opportunity for veteran-owned and managed businesses to have access to capital through the credit. The details of this change are discussed on page 40.

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- [Chapter 60](#) enacted license requirements and a series of changes to improve the oversight of assisted living facilities to establish consumer protections for assisted living facility residents. The licensure process prescribes a series of minimum requirements that facilities must meet to be licensed. Chapter 60 required facilities to be licensed beginning in FY 2022 and raised revenue from these license fees. Chapter 60 appropriated \$39.7 million in FY 2020-21 to enhance enforcement of assisted living facility standards before the licensure requirements are effective. The act also established a process to compensate victims of maltreatment. The details of Chapter 60 are discussed on page 87.
- Beginning in FY 2020, [Chapter 63](#) increased annual licensing fees for opiate manufacturers by \$55,000 annually and for non-opiate drug wholesalers and manufacturers by \$5,000 annually. Chapter 63 appropriated \$41.9 million in FY 2020-21 for the state's response to the opiate crisis. The details of the specific changes are discussed on page 91.
- [2019 First Special Session, Chapter 4](#), enacted a response to the emergence of chronic wasting disease (CWD) in Minnesota. CWD is a highly contagious fatal brain disease that infects wild and captive members of the deer family including deer, elk, caribou, and reindeer. Chapter 4 made several policy changes and appropriated funds to the University of Minnesota, the Department of Natural Resources, and the Board of Animal Health to address the CWD problem in Minnesota. The details of these changes and appropriations are discussed on page 105.
- [Chapter 39](#) required pharmacy benefit managers to obtain a license to operate in Minnesota and established a fee for obtaining a license. Revenues generated from this new license were appropriated to the Department of Commerce to implement the new fee and to enforce licensing and regulatory requirements. Chapter 39 also enacted several policy provisions related to pharmacy benefit managers. The details of this law are discussed on page 116.
- [2019 First Special Session, Chapter 8](#), changed the way the Peace Officer Standards and Training (POST) Board was funded. Previously, the POST Board was funded through revenues collected from the criminal and traffic surcharge, which is a fee imposed on persons who commit a felony, gross misdemeanor, misdemeanor, or petty misdemeanor. A portion of the surcharge revenue was allocated to the peace officers training account in the Special Revenue Fund, which was used to fund the POST Board's activities. Revenue from the criminal and traffic surcharge has been declining in recent years. Beginning in FY 2020, 99 percent of the revenues from the surcharge were credited to the General Fund, and the POST Board received a direct appropriation from the General Fund for the FY 2020-21 biennium. The details of the changes to the POST Board funding are discussed on page 129.
- [Chapter 1](#) and [2019 First Special Session, Chapter 3](#), enacted additional funding for development and replacement of the Minnesota Licensing and Registration System (MNLARS) for driver and vehicle services at the Department of Public Safety. Chapter 1 appropriated one-time

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project deficiency funding in FY 2019 from the General Fund and required an independent expert review of MNLARS. The resulting report, released during the 2019 regular session, recommended replacement of MNLARS with a new packaged software system known as the Vehicle Title and Registration System (VTRS). Chapter 3 appropriated \$55.7 million one-time from the General Fund in FY 2020 for the procurement of a replacement vehicle titling and registration system and final development of the separate driver licensing system. It also appropriated one-time funding to the Legislative Auditor for quarterly reviews and a final audit of VTRS. The enacted budget authorized new surcharges and fees beginning in FY 2020 to fund ongoing development and maintenance of driver and vehicle systems. Finally, Chapter 3 made a \$13 million one-time appropriation in FY 2019 for grants to deputy registrars to reimburse for costs related to the launch of MNLARS. The details of the changes to the licensing and registration system are discussed on page 159.

The report also includes several appendices that show different aspects of the FY 2020-21 budget.

- Appendix A presents a General Fund budgetary balance analysis for FY 2018 – FY 2023 as of the end of the 2019 sessions.
- Appendix B provides detailed General Fund revenue changes across all budget areas for the FY 2020-21 biennium.
- Appendix C presents a Health Care Access Fund budgetary balance analysis for FY 2018 – FY 2023 as of the February

2019 forecast and the end of the 2019 sessions.

- Appendix D provides a FY 2014 – FY 2021 history of all state funds sorted by major budget area.
- Appendix E provides detail of the capital investment expenditures authorized in the 2019 session by agency and bond type.
- Appendix F presents the detail of the 2019 appropriations from the constitutionally dedicated funds for FY 2020 – FY 2021.
- Appendix G supplements Chapter 6, regarding the Health and Human Services budget, and provides detailed General Fund changes enacted in this budget area.
- Appendix H provides a reference for contingent appropriations and backup revenue sources that were enacted as part of the FY 2020 – FY 2021 budget.
- Appendix I lists all session laws enacted in 2019 that have fiscal implications.

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Appropriations

When all funding sources are considered, the enacted FY 2020-21 biennial budget totaled \$86.8 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 appropriations were \$5.8 billion, or 7.1 percent, greater than the appropriations in FY 2018-19 and \$2.6 billion, or 3.1 percent, greater than the February 2019 forecast for FY 2020-21. Total General Fund appropriations in FY 2020-21 were \$48.5 billion and represented 55.9 percent of the state's operating budget. Federal funds (the largest category of nongeneral fund resources) were budgeted at \$25.1 billion for FY 2020-21. This total is the same as the February 2019 forecast for FY 2020-21, but is \$2.1 billion higher than in FY 2018-19.

The HCAF is particularly important in the HHS budget. Appropriations from the HCAF in the enacted budget totaled \$1.6 billion, which was \$427.4 million, or 36.9 percent,

higher than the February 2019 forecast and \$504.3 million, or 46.6 percent, higher than FY 2018-19. The increased HCAF appropriations in FY 2020-21 included \$270 million for MA that would otherwise have been appropriated from the General Fund, as was similarly done in FY 2018-19. This change accounts for most of the increase in HCAF appropriations in the FY 2020-21 biennium. (See Chapter 5 and Appendix C for additional detail on the HCAF.)

Table 2 on page 11 displays the state's all funds budget by major budget jurisdictions. Total appropriations in most budget areas were higher in FY 2020-21 than in the prior biennium. Compared to FY 2018-19, the noteworthy increases were in HHS (\$3.5 billion, or 9.7 percent); E-12 Education (\$1.5 billion, or 7.3 percent); Transportation and Public Safety (\$450 million, or 5.5 percent); Jobs, Commerce, and Energy (\$193.3 million, or 9.5 percent); and State Government and Veterans (\$176.3 million, or 7.4 percent). The Debt Service and Capital Projects portion of the budget was lower compared to FY 2018-19, by \$267.7 million, or 7.3 percent.

Table 1 - All Funds Biennial Budget -- FY 2020-21, by Fund Comparison of Enacted FY 2020-21 Budget to FY 2018-19 and to Forecast <i>(dollars in millions)</i>					
	FY 2018-19*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst Base
General Fund	45,491.3	47,403.0	48,470.4	2,979.2	1,067.5
General Fund Transfer Out	(3,946.0)	(3,668.1)	(3,904.2)	41.8	(236.1)
Health Care Access Fund	1,081.8	1,158.7	1,586.1	504.3	427.4
Federal Fund	23,020.6	25,137.8	25,137.8	2,117.2	0.0
Other Funds	15,320.9	14,093.6	15,463.4	142.6	1,369.8
All Funds Total	80,968.5	84,125.0	86,753.6	5,785.1	2,628.6

* Adjusted by FY 2019 changes enacted in the 2019 sessions.

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Table 2 - All Funds Biennial Budget -- FY 2020-21, by Budget Jurisdiction Comparison of Enacted FY 2020-21 Budget to FY 2018-19 and to Forecast <i>(dollars in millions)</i>					
	FY 2018-19*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst Base
E-12 Education	20,531.5	21,318.2	22,034.7	1,503.2	716.5
Higher Education	3,408.1	3,325.6	3,496.3	88.2	170.6
Property Tax Aids and Credits	3,674.9	3,740.1	3,804.7	129.8	64.6
Health and Human Services	35,855.9	38,903.1	39,331.2	3,475.3	428.0
Agric, Env, and Natural Resources	2,403.1	1,838.4	2,404.2	1.1	565.8
Jobs, Commerce, and Energy	2,031.3	2,083.3	2,224.6	193.3	141.3
Judiciary and Public Safety	2,789.4	2,661.3	2,788.3	(1.1)	127.0
State Government and Veterans	2,369.7	2,319.5	2,545.9	176.3	226.5
Transportation and Public Safety	8,204.0	8,182.0	8,654.0	450.0	472.0
Debt Service and Capital Projects	3,661.7	3,441.6	3,394.0	(267.7)	(47.7)
Cancellations and Other	(3,961.0)	(3,688.1)	(3,924.2)	36.8	(236.1)
Total for Budget Jurisdictions	80,968.5	84,125.0	86,753.6	5,785.1	2,628.6

* Adjusted by FY 2019 changes enacted in the 2019 sessions.

Table 2A - All Funds by Budget Jurisdiction, FY 2020-21 Appropriations by General Fund and Nongeneral Funds <i>(dollars in millions)</i>						
	General Fund FY 2020-21	General Fund as Percent of All Funds by Jurisdiction	Nongeneral Funds FY 2020-21	Nongeneral Funds As Percent of All Funds By Jurisdiction	All Funds FY 2020-21	Budget Area Percent of All Funds Total
Health and Human Services	14,774	37.6%	24,558	62.4%	39,331	45.3%
E-12 Education	20,122	91.3%	1,912	8.7%	22,035	25.4%
Transportation and Public Safety	331	3.8%	8,323	96.2%	8,654	10.0%
Property Tax Aids and Credits	3,804	100.0%	1	0.0%	3,805	4.4%
Higher Education	3,406	97.4%	90	2.6%	3,496	4.0%
Debt Service and Capital Projects	1,456	42.9%	1,938	57.1%	3,394	3.9%
Judiciary and Public Safety	2,492	89.4%	296	10.6%	2,788	3.2%
State Government and Veterans	1,179	46.3%	1,367	53.7%	2,546	2.9%
Agri., Env., and Nat. Resources	466	19.4%	1,938	80.6%	2,404	2.8%
Jobs, Commerce, and Energy	462	20.7%	1,763	79.3%	2,225	2.6%
Other	(20)	0.5%	(3,904)	99.5%	(3,924)	-4.5%
Total:	48,470	55.9%	38,283	44.1%	86,754	100.0%

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Most enacted budget jurisdictions were appropriated at higher amounts than the February 2019 forecast. The noteworthy increases when compared to the forecast were contained in E-12 Education (\$716.5 million, or 3.4 percent); Agriculture, Environment, and Natural Resources (\$565.8 million, or 30.8 percent); Transportation and Public Safety (\$472 million, or 5.8 percent); HHS (\$428 million, or 1.1 percent); and State Government and Veterans (\$226.5 million, or 9.8 percent).

Table 2A on page 11 displays the enacted FY 2020-21 all funds budget by major budget jurisdiction and sorts the jurisdictions based on each area's share of the total all funds budget (green column). The FY 2020-21 enacted budget appropriated \$39.3 billion for HHS, which is 45.3 percent of the state's all funds budget. E-12 Education is the next largest budget area with FY 2020-21 total all funds appropriations of \$22 billion, which is 25.4 percent of the total all funds budget.

HHS, E-12 Education, and Transportation and Public Safety together represent 80.7 percent of the FY 2020-21 budget, and the remaining budget areas are less than 20 percent of the total all funds budget.

For each budget jurisdiction, Table 2A also displays General Fund and nongeneral funds as a percent of each area's total appropriations (yellow columns). For example, appropriations in FY 2020-21 for HHS are \$14.8 billion from the General Fund (37.6 percent of total HHS appropriations) and \$24.6 billion from nongeneral funds (62.4 percent of total HHS appropriations.) E-12 Education is predominantly funded through the General Fund with 91.3 percent of its appropriations from this source. Conversely, the Transportation and Public Safety budget is primarily funded through nongeneral funds, with 96.2 percent of its FY 2020-21 budget funded from these sources and only 3.8 percent from the General Fund.

Table 3 - All Funds Biennial Revenues -- FY 2020-21, by Fund Comparison of Enacted FY 2020-21 Budget to FY 2018-19 and to Forecast <i>(dollars in millions)</i>					
	FY 2018-19*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest Base
General Fund	45,238.0	47,941.2	48,155.6	2,917.7	214.4
<u>Nongeneral Funds</u>					
Health Care Access Fund	1,660.0	814.3	1,687.2	27.2	872.9
Federal Fund	22,945.3	25,090.8	25,015.5	2,070.2	(75.3)
Other (Incl Transfers and Prior Year Adjustments)	34,226.0	33,411.5	32,207.5	(2,018.5)	(1,204.0)
Subtotal, Nongeneral Funds	58,831.3	59,316.6	58,910.2	78.9	(406.0)
Total All Funds Revenues	104,069.2	107,257.7	107,065.8	2,996.6	(191.0)

* Adjusted by FY 2019 changes enacted in the 2019 sessions.

Appendix D on page 172 provides further all funds detail by budget jurisdiction over multiple biennia. This appendix displays net spending for the General Fund and the nongeneral funds from FY 2014-15 through FY 2020-21. The appendix also presents the biennial change for each budget area since FY 2014-15 for the General Fund and the nongeneral funds.

Revenues

Total enacted FY 2020-21 revenues were \$107.1 billion for the all funds budget, a decrease of \$191.9 million compared to the February 2019 forecast. FY 2020-21 General Fund revenue was \$214.4 million higher than the February 2019 forecast. These changes primarily reflect the changes enacted in [2019 First Special Session, Chapter 9](#), the Omnibus Tax Act, that conformed Minnesota's taxes to the federal Tax Cuts and Jobs Act of 2017, which in general terms reduced rates, broadened tax bases, and limited deductions. These federal changes had important implications for state taxation across the country. Chapter 2 of this report examines these issues for Minnesota.

The enacted budget increased HCAF revenues in FY 2020-21 by \$872.9 million. This change reflects the repeal of the provider tax sunset. (See page 71 for additional discussion.)

Table 3 shows total state revenues by fund, breaking out the General Fund and other state funds. (The revenues discussion in Chapter 2 excludes transfers from other funds and prior year adjustments. As a result, the totals and comparisons in that chapter are lower than in Table 3.)

GENERAL FUND SUMMARY

At the end of the 2019 sessions, the state's General Fund was balanced for FY 2020-21 with a projected \$2.8 billion balance before the reserves. Total resources were \$51.2 billion for the biennium and appropriations were \$48.5 billion. Of the \$2.8 billion remaining balance, \$2.5 billion was included in the state's General Fund reserves (\$350 million in the cash flow account, \$2.1 billion in the budget reserve account, and \$98.4 million in the stadium reserve account). Compared to the February 2019 forecast, there were no enacted changes to the state's reserves in FY 2020-21. (See the discussion on page 22 for additional information about the budget reserves.) After the reserves, a projected budgetary balance of \$242 million was left unallocated at the end of the FY 2020-21 biennium.

FY 2020-21 General Fund Budget

The February 2019 forecast projected a positive General Fund balance of \$1.1 billion in FY 2020-21. This included a FY 2018-19 positive balance of \$605.6 million, which carried forward to FY 2020-21 and increased projected revenues. Total General Fund resources forecasted in FY 2020-21 were \$51 billion, including carryforward balances and reserves from FY 2018-19. Excluding carryforward balances and reserves, the FY 2020-21 General Fund forecasted revenues totaled \$47.9 billion.

The February 2019 forecast projected General Fund spending in FY 2020-21 to be \$47.4 billion. The enacted budget increased General Fund appropriations by \$1.1 billion compared to forecast and totaled \$48.5 billion in FY 2020-21. The enacted budget also reduced General Fund FY 2018-19 appropriations by \$17.1 million and increased

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FY 2018-19 General Fund revenue by \$25.6 million, compared to forecast.

The enacted FY 2020-21 General Fund budget can be grouped into three broad change categories compared to the forecast: revenue, spending, and unallocated budgetary balance. The enacted budget increased current revenues by \$214.4 million, which increased the overall balance to \$1.3 billion. Of that adjusted balance, the enacted budget allocated \$1.1 billion, or 81.2 percent, to spending increases, and left \$242 million, or 18.2 percent, unallocated as a positive budgetary balance. These revenue and spending changes include FY 2018-19 changes that were enacted during the 2019 session.

Net Appropriation Changes

As shown in Table 4 on page 15, the FY 2020-21 budget increased General Fund appropriations by \$3 billion compared to FY 2018-19 and \$1.1 billion compared to the February 2019 forecast.

Net Revenue Changes

Table 4 shows that General Fund resources available in FY 2020-21 increased by \$257.1 million in the enacted budget compared to the February 2019 forecast. This total combines \$214.4 million in increased FY 2020-21 revenue with \$42.7 million in increased carryforward revenue from FY 2018-19. Current tax revenues in the enacted budget

increased by \$61.5 million, primarily from changes to the income tax (a \$158.5 million decrease) and the corporate income tax (a \$278.1 million increase) related to federal tax conformity. In addition to provisions related to federal tax conformity, changes to the income tax included provisions that reduced the second tier income tax bracket to 6.8 percent from 7.05 percent and expanded the WFC.

Nontax General Fund revenues declined by \$10.7 million in FY 2020-21 compared to the February 2019 forecast. Most of this change is from a \$48.8 million reduction in federal TANF funds, which were previously used to pay for the state's WFC. Nontax revenues in FY 2020-21 also included an increase of \$11 million from changes in the Department of Commerce process for identifying and disposing of property and a \$7.3 million increase from changes to the financing of the POST Board that increased criminal and traffic surcharge revenue to the General Fund. Other nontax revenue is discussed in the various budget jurisdiction chapters.

General Fund transfers from other funds increased by \$163.7 million in FY 2020-21. Of this amount, \$142 million was from the premium security plan account in the Special Revenue Fund, and \$13 million was from the remaining balance in the state-operated services account in the Special Revenue Fund with the Department of Human Services. Other transfers are discussed in the various budget jurisdiction chapters.

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Table 4 - General Fund Budget Comparison of Enacted FY 2020-21 Budget to FY 2018-19 and to Forecast <i>(dollars in millions)</i>					
	FY 2018-19*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest Base
Balance Forward (including Reserves)	3,333.3	3,037.2	3,079.9	(253.3)	42.7
Current Revenues	45,237.9	47,941.2	48,155.6	2,917.7	214.4
Total Resources	48,571.2	50,978.4	51,235.5	2,664.4	257.1
Spending	45,491.3	47,403.0	48,470.4	2,979.2	1,067.5
Reserves	2,474.3	2,523.1	2,523.1	48.8	-
Budgetary Balance	605.6	1,052.3	242.0	(363.6)	(810.4)

* Adjusted by FY 2019 changes enacted in the 2019 sessions. Includes changes enacted in 2019 to the FY 2018-19 base.

Table 5 - General Fund Biennial Budget, by Budget Jurisdiction Comparison of Enacted FY 2020-21 Budget to FY 2018-19 and to Forecast <i>(dollars in millions)</i>					
	FY 2018-19*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest Base
E-12 Education	18,831.9	19,552.8	20,122.3	1,290.3	569.5
Higher Education	3,290.1	3,255.8	3,406.1	116.0	150.3
Property Tax Aids and Credits	3,657.8	3,738.9	3,803.6	145.8	64.7
Health and Human Services	13,322.4	14,874.7	14,773.6	1,451.1	(101.1)
Agric, Env., and Natural Resources	482.4	446.5	465.8	(16.6)	19.3
Jobs, Commerce, and Energy	561.8	385.5	461.6	(100.2)	76.1
Judiciary and Public Safety	2,357.4	2,359.9	2,491.9	134.5	132.0
State Government and Veterans	1,227.0	1,089.7	1,178.7	(48.3)	88.9
Transportation and Public Safety	367.9	247.5	331.2	(36.7)	83.8
Debt Service, Cap. Projects, and Other	1,407.6	1,471.8	1,455.8	48.2	(16.0)
Cancellations and Other	(15.0)	(20.0)	(20.0)	(5.0)	-
Total Spending	45,491.3	47,403.0	48,470.4	2,979.2	1,067.5

* Adjusted by FY 2019 changes enacted in the 2019 sessions.

FY 2020-21 Appropriations Changes by Budget Jurisdiction

Table 5 summarizes the FY 2020-21 General Fund budget by budget jurisdiction. The enacted budget appropriated \$48.5 billion in FY 2020-21 from the General Fund. As described in Table 5, this was \$1.1 billion more than projected in the February 2019 forecast and \$3 billion more than FY 2018-19. Compared to the forecast, the increases were noteworthy in E-12 Education (\$569.5 million, or 2.9 percent); Higher Education (\$150.3 million, or 4.6 percent); Transportation and Public Safety (\$83.8 million, or 33.9 percent); and Property Tax Aids and Credits (\$64.7 million, or 1.7 percent). Health and Human Services General Fund appropriations in FY 2020-21 declined by a net \$101.1 million, or 0.7 percent, compared to forecast.

HIGHLIGHTS BY BUDGET JURISDICTION

The following summaries highlight the changes made in each budget jurisdiction and briefly outlines significant budget actions in each jurisdiction. Each budget jurisdiction is discussed more fully in the relevant chapters.

Chart 2 on page 17 graphically displays the all funds budget for each jurisdiction in FY 2018-19 and 2020-21. The FY 2018-19 and 2020-21 all funds budgets are sorted by major budget jurisdiction based on the size of each budget area. Each column displays the total size of the all funds budget for a jurisdiction and is divided between the General Fund and nongeneral funds. This chart compares each budget jurisdiction's relative size and the source of the jurisdiction's funding as a percent of its total appropriations.

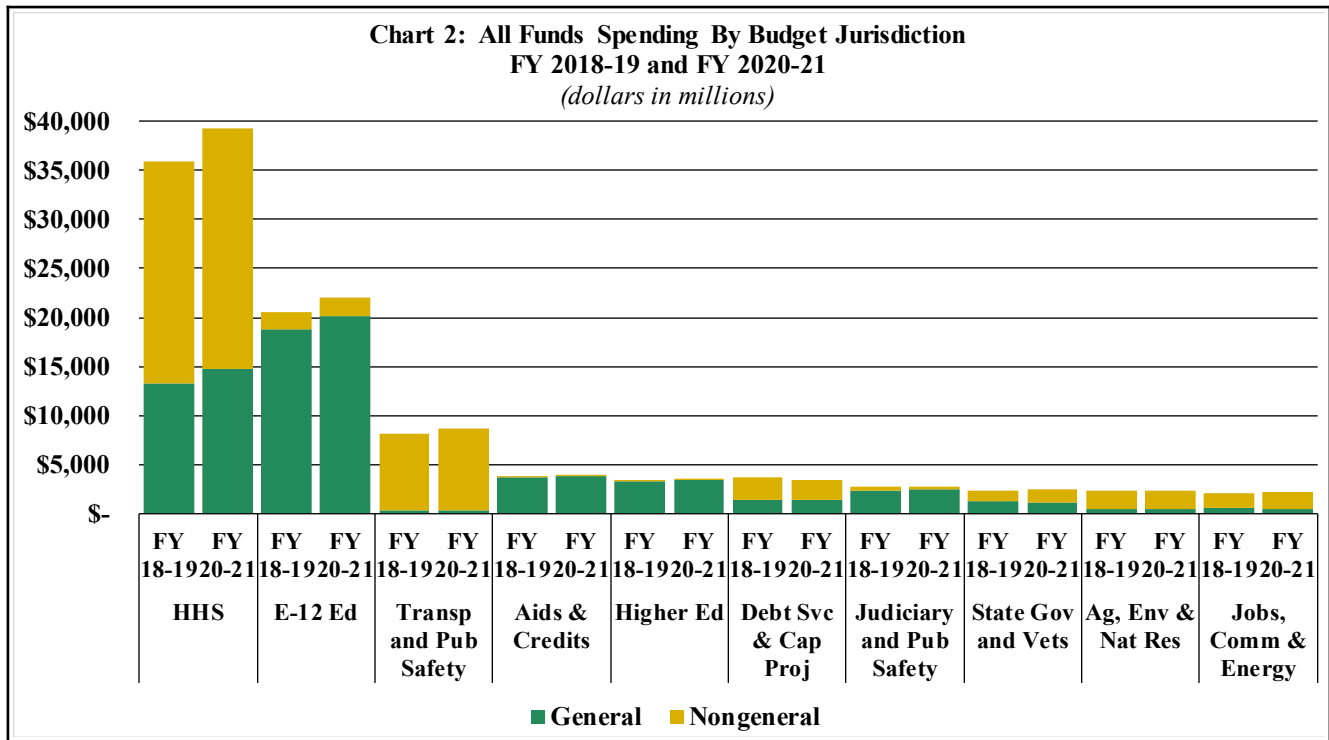
E-12 Education

State appropriations from all sources for E-12 Education totaled \$22 billion for FY 2020-21, of which 91.3 percent was from the General Fund (\$20.1 billion). E-12 education appropriations from the General Fund were \$569.5 million above the February 2019 forecast and were primarily allocated to a two percent increase to the basic per pupil funding formula in each fiscal year of the biennium (\$384.4 million), to an increase in special education funding (\$90.7 million), and to an increase to extend funding for prekindergarten programs for at-risk four-year-olds (\$46.8 million).

Higher Education

The overall operating budget for Higher Education totaled \$3.5 billion for FY 2020-21, with virtually all appropriations (97.4 percent) coming from the General Fund. Compared to the February 2019 forecast, this represented a \$150.3 million increase in General Fund appropriations. The increase was primarily allocated to the Minnesota State Colleges and University system, which received an increase of \$81.5 million, or 5.6 percent, compared to forecast. The University of Minnesota's General Fund appropriations increased by \$43.8 million, or 3.3 percent, and the Office of Higher Education's (OHE) General Fund appropriations increased by \$25 million, or 4.8 percent, compared to forecast. Of the OHE increase, \$18.2 million was appropriated for increases in the state grant.

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Property Tax Aids and Credits

Funding for Property Tax Aids and Credits (PTAC) totaled \$3.8 billion from all funding sources in FY 2020-21, with virtually all funding appropriated from the General Fund. Compared to the forecast, FY 2020-21 appropriations for PTAC from the General Fund were \$64.7 million higher. The budget increases were allocated to local government aid (\$26 million), county program aid (\$26 million), and expansion of the school bond agricultural credit (\$9.9 million).

Health and Human Services

The appropriations for Health and Human Services (HHS) totaled \$39.3 billion for all funds in FY 2020-21, \$428 million higher than the February 2019 forecast and \$3.5 billion higher than FY 2018-19. General Fund appropriations in FY 2020-21 totaled \$14.7 billion, or 37.6 percent, of the all funds total. Total FY 2020-21 HHS appropriations from the General Fund were \$101.1 million

lower than the February 2019 forecast and \$1.5 billion higher than FY 2018-19. The HHS budget enacted significant changes to the HCAF, including repealing the sunset of the provider tax (a primary revenue source for the fund) and lowering its rate, which increased HCAF revenues by \$873 million in FY 2020-21 compared to forecast. Appropriations from the HCAF in FY 2020-21 increased by \$391.9 million compared to the forecast.

Agriculture, Environment, and Natural Resources

Total funding for Agriculture, Environment, and Natural Resources was \$2.4 billion for FY 2020-21. The General Fund budget totaled \$465.8 million, or 19.4 percent of all funds for the same period. The FY 2020-21 all funds budget was \$565.8 million above the February 2019 forecast, and the General Fund budget was \$19.3 million above the forecast. Most of the increases were

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attributable to appropriations from Legacy funds.

Jobs, Commerce, and Energy

The Jobs, Commerce, and Energy all funds budget for FY 2020-21 totaled \$2.2 billion, with \$461.6 million, or 20.7 percent, from the General Fund. All funds appropriations were \$141.3 million, or 6.8 percent, above the February 2019 forecast. General Fund appropriations were \$76.1 million, or 5.6 percent, above the forecast, and included increases of \$40 million for broadband development grants and \$7 million in vocational rehabilitation grants at the Department of Employment and Economic Development.

Judiciary and Public Safety

The Judiciary and Public Safety budget for FY 2020-21 totaled \$2.8 billion, of which \$2.5 billion, or 89.4 percent, was from the General Fund. All funds appropriations were \$12 million, or 4.8 percent, above the February 2019 forecast, and General Fund appropriations were \$132 million, or 5.7 percent, above the forecast. This supported agency operating increases and 2.5 percent annual salary increases for the judicial branch. The enacted budget also changed the financing mechanism for the POST Board.

Transportation and Public Safety

Funding for the Transportation and Public Safety budget totaled \$8.7 billion in all funds for FY 2020-21, with \$331.2 million from the General Fund. General Fund appropriations represented only 3.8 percent of all Transportation and Public Safety appropriations in FY 2020-21. All funds appropriations were \$472 million, or 5.8 percent, above the February 2019 forecast and General Fund appropriations were \$83.8

million, or 33.9 percent, above the forecast. Most of the increases were attributable to increased FY 2020-21 appropriations from the Trunk Highway Fund to the Department of Transportation for construction, operations, and maintenance on state roads and bridges. The FY 2020-21 General Fund increases added funding for Metro Mobility at the Metropolitan Council and funded a software system replacement for the existing vehicle title and registration system at the Department of Public Safety.

State Government and Veterans

The State Government and Veterans budget for FY 2020-21 totaled \$2.5 billion in all funds, which included \$1.2 billion, or 46.3 percent, from the General Fund. All funds appropriations were \$226.5 million, or 9.8 percent, above the February 2019 forecast and General Fund appropriations were \$88.9 million, or 8.2 percent, above the forecast. The enacted budget also increased General Fund appropriations in FY 2018-19 by \$6 million. The FY 2020-21 General Fund increases provided an additional \$23.6 million to the Legislature, \$16.9 million to the Department of Revenue, \$10 million to the Office of MN.IT Services (MN.IT), and \$20 million to provide aid to the Minneapolis Employees Retirement Fund. Most agencies received General Fund operating adjustments in FY 2020-21. Chapter 10 also authorized the Secretary of State to spend \$6.6 million in federal funds to improve the administration and security of state elections.

Debt Service Capital Projects

The Debt Service and Capital Projects budget for FY 2020-21 totaled \$3.4 billion in all funds, of which \$1.5 billion, or 46.3 percent, was from the General Fund. All funds appropriations were \$47.7 million, or 1.4 percent, lower than the February 2019

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forecast, and General Fund appropriations were \$16 million, or 1.1 percent, lower than the forecast. The enacted budget authorized \$102.4 million in new general obligation bonds, which was \$162.6 million lower than the \$265 million in new General Fund supported debt that was assumed in the February 2019 forecast. Therefore, the enacted debt service payments for FY 2020-21 from the General Fund were lower than estimated in the forecast.

GENERAL FUND STRUCTURAL BALANCE FY 2020-21 AND FY 2022-23

Looking ahead at the effect of the FY 2020-21 enacted budget on the next biennium shows that the state's General Fund balance in FY 2022-23 is projected to be positive. The FY 2022-23 planning budget is projected to be balanced with a remaining \$62.6 million unallocated. This unallocated number represents the budgetary balance and, combined with General Fund reserves, will be carried forward into the subsequent biennium. The enacted General Fund budgetary balances in FY 2018-19 and FY 2020-21 were \$605.6 million and \$242 million, respectively. These balances are the closing balance for each biennium, but also became a part of the opening balance for the next biennium and are counted as revenue.

Another measurement of fiscal health is structural balance, which compares a single biennium's revenue collections with its appropriations. The structural balance calculation (current revenues minus projected appropriations) does not include money carried forward from one biennium to the next. By eliminating carryforward resources from a previous biennium, the structural

balance measurement can provide an indication of the state's overall budget position within a specific biennium. Carryforward resources are one-time and can mute the overall estimates of the budget picture by inflating a budget's closing balance.

Chart 3A displays the current General Fund revenues and appropriations in the enacted budget for FY 2018-19 through FY 2022-23. For all three biennia, the appropriations exceed the current revenues. FY 2018-19 current revenues totaled \$45.3 billion and appropriations totaled \$45.5 billion. Current revenues for FY 2020-21 are projected to total \$48.2 billion, while projected appropriations are estimated to total \$48.5 billion. Therefore, appropriations exceed the current revenues by \$314.8 million in FY 2020-21. In FY 2022-23, projected revenues total \$50.7 billion and projected appropriations total \$51.3 billion. The projected appropriations exceed the current revenues in FY 2022-23 by \$576 million.

The FY 2020-21 enacted budget and its corresponding planning estimates in FY 2022-23 are not structurally balanced between current revenues and appropriations.

As discussed above, the enacted General Fund budget was balanced on a budgetary basis with resources carried forward from FY 2018-19 into FY 2020-21. Additionally, the \$242 million budgetary balance in FY 2020-21 will carryforward to FY 2022-23 and provide resources that help balance the planning years. Chart 3B displays the budgetary balance and structural balance in the General Fund for each of the three biennia.

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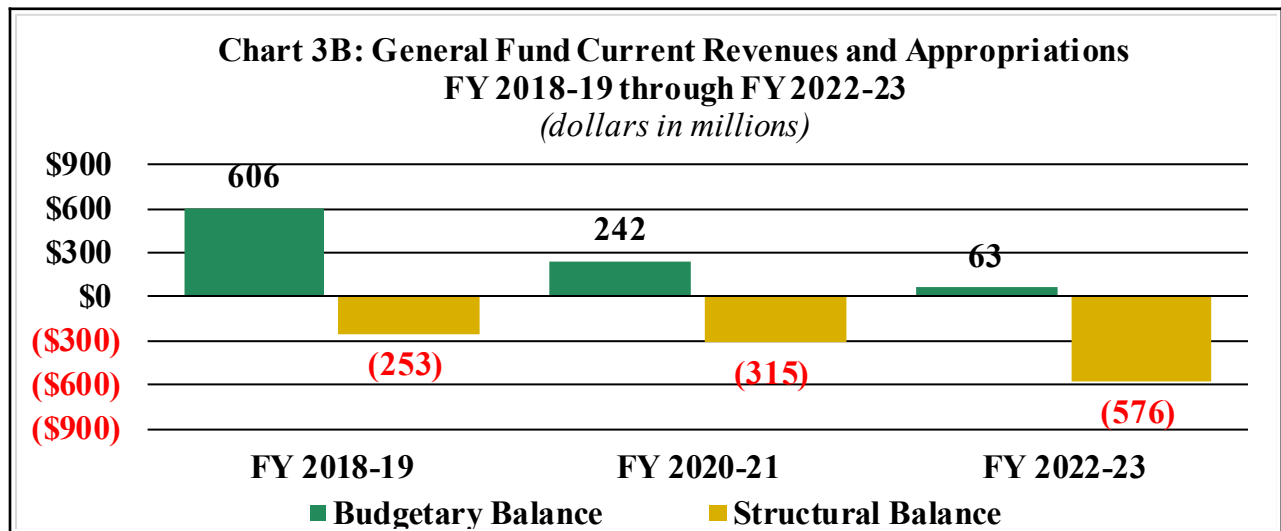
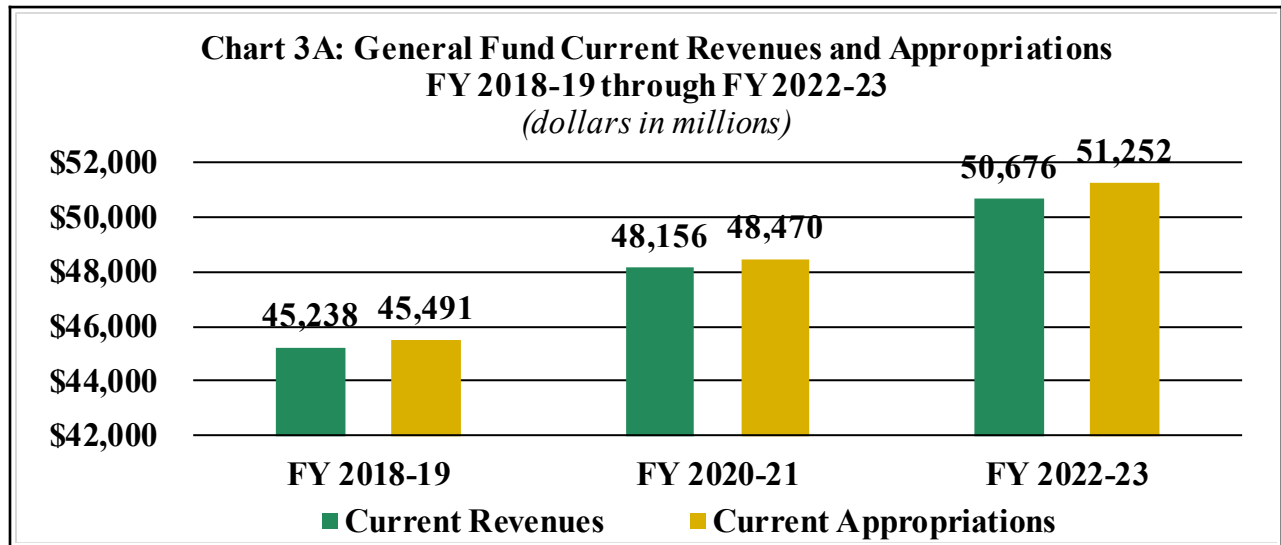


Table 6 - General Fund Biennial Budget Comparison of Enacted FY 2020-21 Budget to FY 2022-23 Planning Estimates (dollars in millions)			
	FY 2020-21 Enacted Budget	FY 2022-23 Enacted Budget	Change: FY 2022-23 - FY 2020-21
Current Resources (excluding carryforward)	48,155.6	50,676.0	2,520.4
Total Projected Appropriations	48,470.4	51,252.0	2,781.5
Projected Structural Balance	(314.8)	(576.0)	(261.1)

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Table 6 displays current General Fund revenues and appropriations in FY 2020-21 and FY 2022-23. It indicates that current resources are growing in the enacted budget by \$2.5 billion between FY 2020-21 and FY 2022-23. However, the table also shows that projected appropriations in the enacted budget are anticipated to grow by \$2.7 billion over the two biennia. Overall, this indicates that appropriations in the enacted budget are growing at a faster pace than revenues over the four years of the projection period.

By including the biennial carryforward, the enacted budget is balanced for all three biennia. However, because a carryforward is

one-time and becomes smaller in each successive biennium over the projection period, the structural balance calculation for the General Fund is an important indication of a growing structural mismatch between current revenues and estimated appropriations in FY 2020-21, FY 2022-23, and potentially in future years. By FY 2022-23, this mismatch grows to \$576 million and was balanced through non-recurring carryforward and budget reserve resources. With a budgetary balance of only \$62 million at the end of FY 2022-23 to offset the structural mismatch, there may be increased budget challenges in future biennia.

BUDGET RESERVE CHANGES SINCE THE END OF THE 2018 SESSION

The FY 2019 budget reserve was \$1.6 billion at the end of the 2018 legislative session. Following the session, the November 2018 forecast recognized three separate fiscal conditions that added \$491.4 million to the budget reserve in FY 2019 and increased the reserve to \$2.1 billion. The FY 2020-21 enacted budget left the budget reserve unchanged in FY 2019 and FY 2020-21, but reduced the reserve in FY 2022 by \$491.4 million to help balance the planning budget in FY 2022-23.

To manage the underlying risks in Minnesota's General Fund tax structure, [Minnesota Statutes, section 16A.152](#), requires the Department of Management and Budget (MMB) to annually evaluate and recommend a budget reserve goal to adequately accommodate the estimated volatility and budget risk in Minnesota's revenue system. The statute requires the goal to be expressed as a percentage of the General Fund's nondedicated revenues. In September 2017, MMB recommended a reserve percentage of 4.9 percent of General Fund nondedicated revenues. This percentage was current at the end of the 2018 legislative session and represented a budget reserve of \$2.2 billion for FY 2018-19 at that time. In September 2018, MMB recommended an increase to five percent of General Fund nondedicated revenues. This new percentage (combined with forecasted changes) raised the FY 2018-19 budget reserve goal to \$2.3 billion in the November 2018 forecast.

This discussion reviews the increases to the budget reserve following the 2018 legislative session that were added in the November 2018 forecast, as well as the FY 2022 reserve reduction enacted as part of the FY 2020-21 budget. The discussion also compares the reserve to the budget reserve goal recommended by MMB. The November 2018 forecast changes to the budget reserve include the items below.

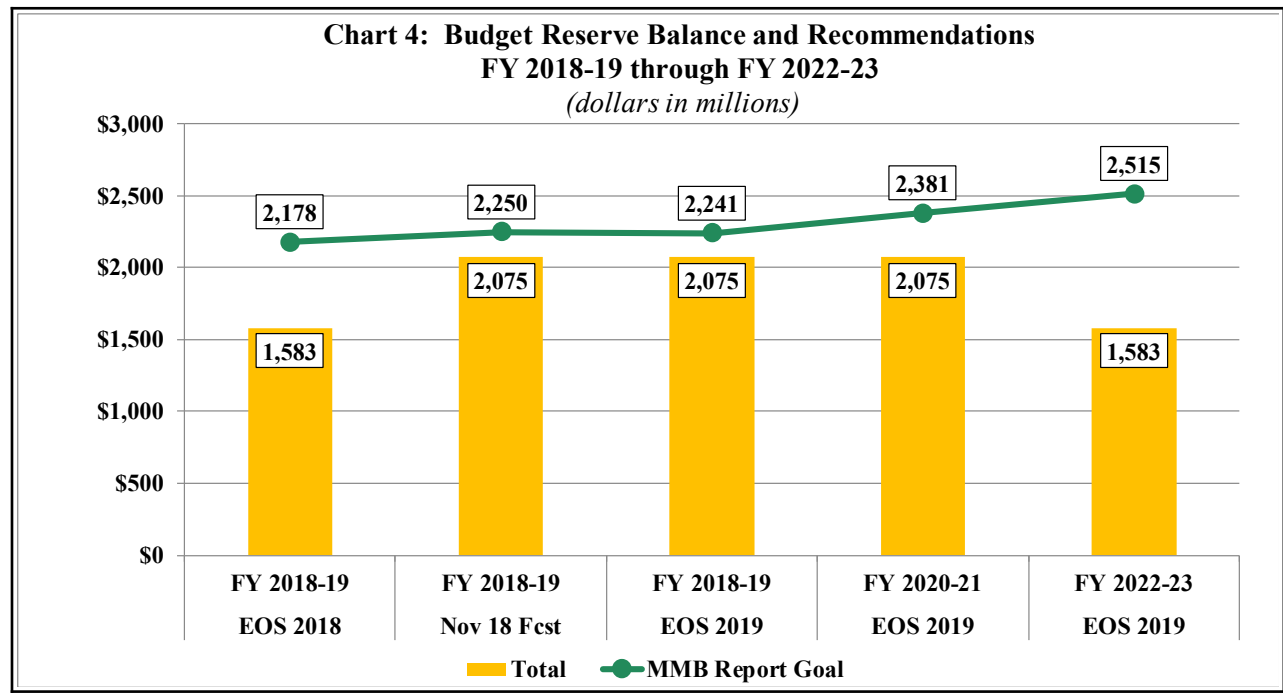
- The November 2018 forecast projected an initial positive budgetary balance of \$1.1 billion in the FY 2018-19 biennium. This projection triggered a statutory requirement (Minnesota Statutes, section 16A.152, subdivision 1b) that 33 percent of a positive budgetary balance projected in a November forecast must be allocated to the budget reserve until the reserve rises to a goal established annually by MMB. Under this law, \$354.5 million of the initial General Fund budgetary balance for FY 2018-19 was transferred to the budget reserve. (See page 13 of the [2014 Fiscal Review](#) for additional discussion of this statutory requirement).
- [Laws 2017, Chapter 2](#), appropriated \$311.8 million from the General Fund to MMB for the premium assistance program. (See pages 9 and 104 of the [2017 Fiscal Review](#) for further discussion.) However, under that law, any amount that was unexpended at the end of FY 2018 was transferred to the budget reserve. The premium assistance program used \$221.9 million and the budget reserve received a transfer of \$89.9 million. The November 2018 forecast recognized this transfer.
- By law, the Commissioner of Commerce must review and certify whether the reserve in the workers' compensation assigned risk plan represents an excess surplus. Any excess surplus in

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the assigned risk plan must be transferred to the budget reserve. Following the audit of the FY 2017 assigned risk plan, the commissioner found an excess surplus equal to \$47 million. This amount was transferred to the budget reserve and was recognized by the November 2018 forecast.

Collectively, these transfers increased the total budget reserve to \$2.1 billion in FY 2019. The budget enacted in the 2019 sessions made no changes to the budget reserve in FY 2018-19 or in FY 2020-21.

Chart 4 displays the total budget reserve at various points in time and compares the reserve to the recommended goal that was current at each point. The first three bars of the chart focus on FY 2018-19 because there were several changes to the reserve and the MMB goal in that biennium. The first bar displays the reserve and goal at the end of the 2018 session. The second bar incorporates the additional \$491.4 million increase to the reserve in FY 2019. It also includes an updated goal percentage (from 4.9 percent to five percent) based on the November 2018 forecasted nondedicated revenues. These combined changes recognized in the forecast narrowed the gap between the goal and the actual reserve in FY 2018-19. After the end of the 2019 session, the difference between the goal and the actual reserve was \$166.2 million. This is reflected in the third bar. With nondedicated General Fund revenues increasing in FY 2020-21 and the reserve unchanged, the difference between the goal and the reserve increased to \$306.4 million. Finally, in FY 2022, [Chapter 6](#) reduced the reserve by \$491.4 million to \$1.6 billion. The reduced budget reserve and the increase in nondedicated General Fund revenues left the FY 2022-23 reserve \$931.4 million lower than the goal recommended by MMB.



CONTINGENT APPROPRIATIONS AND TRANSFER

[2019 First Special Session, Chapters 3 and 11](#), enacted three separate provisions that will obligate transfers and appropriations from the General Fund if certain conditions are met. Similar to approaches taken in FY 2016-17 (see page 8 of the [2015 Fiscal Review](#)) and FY 2018-19 (see page 86 of the [2017 Fiscal Review](#)), Chapters 3 and 11 enacted a transfer and two separate appropriations contingent upon the FY 2018-19 closing balance. Collectively, these provisions obligate the General Fund to additional spending of up to \$63 million.

If the FY 2018-19 General Fund closing balance exceeds the balance projected at the end of the 2019 legislative session by at least \$33 million, Chapter 3 transfers \$20 million in FY 2020 from the General Fund to the disaster assistance contingency account (DACA) in the Special Revenue Fund and appropriates \$13 million in FY 2021 from the General Fund to the Metropolitan Council for Metro Mobility. If the General Fund closing balance in FY 2018-19 exceeds the balance projected at the end of session, but the excess is less than \$33 million, Chapter 3 requires the DACA transfer and the Metropolitan Council appropriation to be proportionally reduced so that DACA receives 60.6 percent of the FY 2018-19 excess balance and the Metropolitan Council receives 39.4 percent of the FY 2018-19 excess balance.

If the FY 2018-19 General Fund closing balance exceeds the closing balance projected at the end of the 2019 legislative session by more than \$33 million, Chapter 11 appropriates the excess balance over \$33 million in FY 2020 to the Department of Education (MDE) to pay for safe schools supplemental aid. The amount appropriated to MDE may not exceed \$30 million. The aid, proportionally allocated to school districts and charter schools on a per pupil basis, must be reserved for costs associated with peace officer liaison services; drug abuse prevention programs; licensed counselors, nurses, social workers, or psychologists; colocating and collaborating with mental health professionals; and other specified purposes.

The contingent transfer and appropriations enacted in Chapters 3 and 11 must be determined and completed by October 15, 2019.

SPECIAL ALLOCATION OF REVENUES FOR THE STADIUM RESERVE ACCOUNT

[Laws 2012, Chapter 299](#), enacted funding for the construction and operation of a new stadium for the Minnesota Vikings. It also established a stadium reserve account within the General Fund. The purpose of the account was to ensure that revenues dedicated to finance the construction and operation of the stadium would be sufficient for that purpose, even in the event of unexpected revenue volatility. (See page 13 of the [2012 Fiscal Review](#) for discussion of the Minnesota Vikings stadium legislation.)

The Commissioner of Revenue is required to determine the amount of available revenues for deposit to this reserve account based on a formula specified in statute. One component of the calculation provides that revenues allocated to the stadium reserve account may consist of up to \$20 million of corporate franchise tax revenue. On December 6, 2018, the Commissioner of Revenue determined that for fiscal years 2019 to 2023, no amount of corporate franchise tax revenue would be allocated toward the calculation that determines the stadium reserve account deposit.

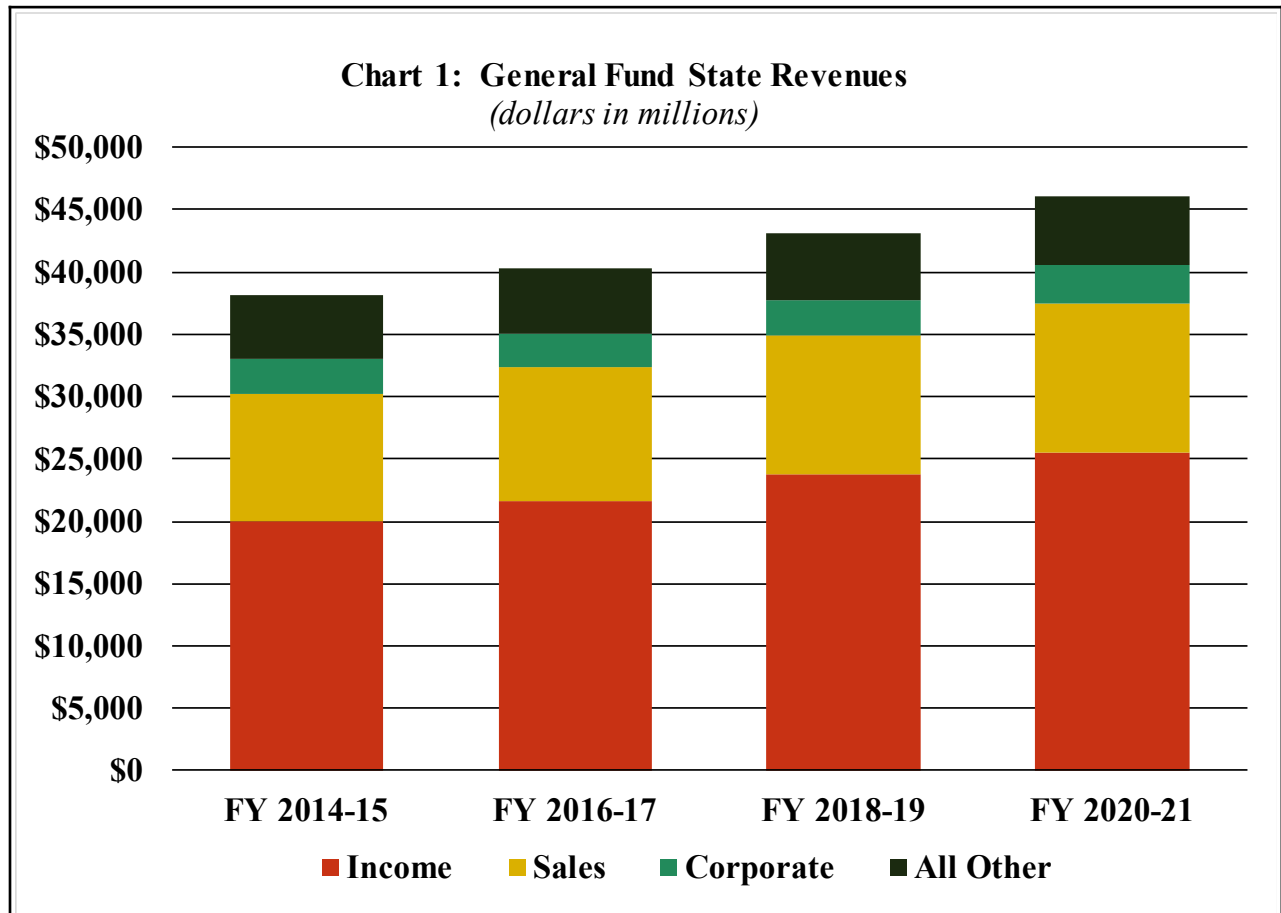
Beginning with the November 2018 forecast, the Commissioner of Management and Budget accordingly adjusted the calculation of the stadium reserve and General Fund balances. The stadium reserve account balance was reduced by \$20 million each year from FY 2019 to FY 2023. The corporate franchise tax revenue was credited to the General Fund and increased the balance by \$100 million over five fiscal years.

The 2019 session made no changes to the stadium reserve account. The account balance was \$49.6 million in FY 2019. Other revenues deposited to the account are projected to increase the balance to \$98.4 million in FY 2021 and \$193.2 million in FY 2023.

CHAPTER 2 STATE REVENUES

Major tax policy changes affecting state revenues were enacted in [2019 First Special Session, Chapter 6](#), the Omnibus Tax Act. The primary focus of this act was to align Minnesota's tax code to the federal tax code as a result of significant federal tax reform enacted in Public Law 115-97, the Tax Cuts and Jobs Act (TCJA) of 2017. State attempts to address revisions to the federal code during the 2018 session were not successful and resulted in the state code remaining linked to

pre-TCJA federal law. This circumstance created wide-ranging consequences for tax code administration and compliance for tax year 2018 and later. Chapter 6 updated Minnesota's statutory references to the federal tax code and also included several modifications to state tax policy to address the effects of delayed conformity and to offset the disparate effects that would have resulted from simply updating Minnesota's federal conformity references in state statute.



STATE REVENUES

Compared to the February 2019 forecast, the enacted budget changes increased General Fund revenue by \$22.7 million in FY 2019, \$50.8 million in FY 2020-21, and \$240.1 million in FY 2022-23.

Total General Fund tax revenues have increased in each of the past three biennia. Chart 1 displays General Fund revenues over this period and divides each biennium by income, sales, corporate, and other revenues. Total FY 2016-17 revenues were \$2.2 billion, or 5.8 percent, higher than in FY 2014-2015. Total FY 2018-19 revenues were \$2.8 billion, or seven percent, higher than in FY 2016-17. The enacted total FY 2020-21 revenues were \$3 billion, or 6.9 percent, higher than in FY 2018-19.

FEDERAL CONFORMITY

Minnesota, like most other states with an income tax, conforms its tax code to a version of the federal tax code in order to streamline its administration and ease the burden of compliance. In many other states, conformity is automatic. In Minnesota, conformity is accomplished by updating fixed statutory references to the Internal Revenue Code of 1986 (IRC), as amended through a specific date. As was necessary in previous years, conforming to federal tax revisions required legislative action to update the IRC version referred to in Minnesota Statutes.

Chapter 6 updated references to the IRC as amended through December 31, 2018. Choosing this date conformed Minnesota's

tax code to federal changes made in the following acts:

- the Disaster Tax Relief and Airport and Airway Extension Act of 2017, Public Law 115-63, enacted September 29, 2017;
- the Tax Cuts and Jobs Act of 2017, Public Law 115-97, enacted December 22, 2017;
- the Bipartisan Budget Act of 2018, Public Law 115-123, enacted February 9, 2018; and
- the Consolidated Appropriations Act of 2018, Public Law 115-141, enacted March 23, 2018.

The net effect of Chapter 6 conformity decisions, not including any related offsets, was an increase in revenue of \$22.7 million in FY 2018-19, \$473.2 million in FY 2020-21, and \$687.2 million in FY 2022-23, compared to the February 2019 forecast.

Tax policy decisions related to TCJA can be grouped into three broad categories: individual income tax provisions not specifically related to businesses, individual income tax provisions specifically related to businesses, and provisions affecting corporate franchise tax. This discussion will identify the major components of each category and the net effect of those decisions. Finally, this chapter discusses revenue changes across three biennia. In Table 2, changes affecting FY 2018-19 are included in FY 2020.

STATE REVENUES

Table 1 - State Revenues All Funds Biennial Revenue by Type and Fund <i>(dollars in thousands)</i>					
Total Revenues by Type	FY 2018-19 Revenue*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst. Base
General Fund					
Individual Income Taxes	23,748,690	25,705,000	25,546,505	1,797,815	(158,495)
Sales and Use Taxes	11,078,935	11,806,956	11,823,321	744,386	16,365
Corporate Franchise Taxes	2,838,149	2,912,383	3,190,483	352,334	278,100
Statewide Property Tax	1,620,484	1,638,057	1,560,557	(59,927)	(77,500)
Tobacco Products Taxes	1,181,461	1,242,030	1,244,530	63,069	2,500
Gross Earnings Taxes	802,256	846,637	846,637	44,381	-
Estate Taxes	407,116	283,300	283,300	(123,816)	-
Alcoholic Beverage Taxes	183,998	190,540	191,050	7,052	510
Gambling Taxes	159,775	190,000	190,000	30,225	-
All Other Taxes	1,137,748	1,246,792	1,246,787	109,039	(5)
All Other Non-Tax Revenues	1,660,936	1,510,714	1,500,045	(160,891)	(10,669)
Subtotal for General Fund:	44,819,548	47,572,409	47,623,215	2,803,667	50,806
Other Funds					
Federal Fund	22,945,293	24,488,919	25,015,537	2,070,244	526,618
Highway User Tax Dist. Fund	4,593,413	4,832,439	5,048,948	455,535	216,509
Special Revenue Fund	2,871,293	3,083,425	2,958,671	87,378	(124,754)
Health Care Access Fund	1,659,963	1,482,154	1,687,176	27,213	205,022
Trunk Highway Fund	1,203,680	1,050,838	1,065,377	(138,303)	14,539
Transit Assistance Fund	709,488	745,636	787,562	78,074	41,926
Federal TANF Fund	523,121	523,653	523,653	532	-
All Other Funds	3,823,927	2,586,175	2,602,223	(1,221,704)	16,048
Subtotal for Other Funds:	38,330,178	38,793,239	39,689,147	1,358,969	895,908
Total State Revenues All Funds	83,149,726	86,365,648	87,312,362	4,162,636	946,714

* As adjusted by FY 2019 changes made in the 2019 sessions.

POLICY IMPLICATIONS OF FEDERAL TAX CONFORMITY

The major challenge with conformity to the federal Tax Cut and Jobs Act of 2017 (TCJA) was that mechanical conformity (i.e., a simple update of Minnesota's statutory references and conformity date) would have produced significant tax increases for individuals and businesses in the absence of any offsetting tax policy changes at the state level. According to Department of Revenue (DOR) estimates, conformity in this manner would have increased General Fund revenues by \$3.4 million in FY 2019, \$1.2 billion in FY 2020-2021, and \$1.2 billion in FY 2022-2023. The projected increase in state revenues from mechanical conformity was because TCJA reformed federal tax policy through a complex blend of coinciding policies, of which only certain elements carried through to the calculation of Minnesota tax liability. For example, the tax increases from base-broadening measures made to the Internal Revenue Code of 1986, such as a limitation on certain itemized deductions, were offset at the federal level for most taxpayers through lower tax rates and expanded credits. Since Minnesota generally shares the federal tax base but has its own rates and credits, mechanical conformity would incorporate almost all of the federal base broadening measures and none of the offsetting federal rates and credits.

Nearly all states were confronted with several key policy considerations in response to TCJA. The primary considerations included: the distributional effects of conformity for the various types of taxpayers, the extent to which states would concede to certain effects from TCJA in order to streamline state tax administration and ease compliance, and the net effect on state revenues. In general, Minnesota aligned with the federal code for most of the tax items related to businesses, acceding to revenue increases in an effort to streamline state tax policy administration and ease taxpayer compliance. The largest policy offsets to increased taxes under TCJA conformity were for individuals, achieved largely through conformity to a higher standard deduction, the preservation of dependent exemptions, an individual income tax rate reduction, and a significant expansion of the working family credit. For businesses, the largest policy offsets were achieved through a significant reduction in the statewide property tax and by not taxing accumulated earnings and profit earned abroad that were taxed under TCJA.

GENERAL INDIVIDUAL INCOME TAX PROVISIONS

In Chapter 6, individual income tax provisions not specifically related to pass-through entities decreased General Fund revenue by \$120.8 million in FY 2020-21 and increased General Fund revenue by \$29 million in FY 2022-23. Chapter 6 changed the starting point for calculating Minnesota taxable income to Federal Adjusted Gross Income (FAGI) instead of Federal Taxable Income (FTI). Looking forward, this change

has wide-ranging implications for conformity in future years because Minnesota's tax code will not be as closely tied to the federal tax code. Because FAGI is determined before applying the standard deduction, itemized deductions, and personal and dependent exemptions, future changes to those provisions at the federal level will no longer directly affect Minnesota tax liability. However, Chapter 6 did not discard those elements entirely, but established state-specific versions at the same amounts and subject to the same phaseout thresholds as

under pre-TCJA law. The state standard deduction in 2019 is equal to the current federal standard deduction (\$24,400 for married filing joint, \$12,200 for single and married filing separate, and \$18,350 for head of household). The state dependent exemption in 2019 is \$4,250, the same as under pre-TCJA law. Personal exemptions were eliminated, similar to the federal change under TCJA.

Chapter 6 also incorporated many of the itemized deductions under the TCJA but established them as state itemized deductions. The portion of the state and local tax deduction for property taxes and personal property taxes was limited to \$10,000 (\$5,000 for married taxpayers filing separate returns). In addition, the limit on charitable deductions was expanded from 50 percent to 60 percent of FAGI. The deduction for home mortgage interest was limited to acquisition debt up to \$750,000, rather than \$1 million as under pre-TCJA law.

Chapter 6 also established state deductions for unreimbursed employee expenses over two percent of FAGI. This category of itemized deductions had been repealed by the TCJA. In addition, Chapter 6 preserved the itemized deduction for casualty and theft losses by establishing it as a state deduction. This federal deduction was significantly limited by TCJA.

Finally, Chapter 6 adopted the same alternative measure of inflation, the Chained Consumer Price Index for All Urban Consumers (C-CPI-U), as adopted under TCJA. Over time, this alternative measure of inflation is expected to grow slightly more slowly than the Consumer Price Index for All Urban Consumers because it accounts for

changes in consumption patterns in response to price increases. This provision also affects businesses and corporations but has the broadest effect on individual income tax filers. Beginning with tax year 2020, amounts in Minnesota law adjusted for inflation, such as tax brackets, phaseout thresholds, and deduction amounts, will be adjusted by C-CPI-U. This change increased General Fund revenue by \$43.2 million in FY 2020-21, and \$95.7 million in FY 2022-23, compared to the February 2019 forecast.

BUSINESS-RELATED INDIVIDUAL INCOME TAX PROVISIONS

In Chapter 6, individual income tax specifically related to pass-through entities increased General Fund revenue by \$18 million in FY 2018-19, \$415.9 million in FY 2020-21, and \$549.3 million in FY 2022-23, compared to the February 2019 forecast.

Chapter 6 conformed to higher federal expensing limits for Section 179 and bonus depreciation but maintained the current Minnesota-specific treatment for both programs (an 80 percent addback and five-year cost recovery). The net effect of these changes increased General Fund revenue by \$960,000 in FY 2018-19, \$24.8 million in FY 2020-21, and \$17 million in FY 2022-23.

Chapter 6 conformed to the disallowance of active pass-through losses exceeding \$500,000, beginning with tax year 2019. Excess business losses are disallowed in the applicable tax year but can be carried forward as part of the taxpayer's net operating loss (NOL) in subsequent years. This change increased revenue by \$4.4 million in FY 2018-2019, \$94.1 million in FY 2020-21, and \$82 million in FY 2022-23.

STATE REVENUES

Table 2 - State Revenues General Fund Changes Compared to Forecast <i>(dollars in thousands)</i>						
	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
<u>TCJA-Specific Conformity Changes by Tax Type</u>						
Individual Income Tax Changes (General)						
Switch Minnesota Starting Point to FAGI	(1,800)	(1,800)	(3,600)	(1,800)	(1,800)	(3,600)
Conform to TCJA Standard Deduction, Eliminate Personal Exemptions, Deduction Changes	(107,400)	(57,500)	(164,900)	(44,700)	(37,200)	(81,900)
Indexing/COLA Provisions Using Chained CPI-U Measure of Inflation	12,700	30,500	43,200	39,300	56,400	95,700
Limit Mortgage Interest Deduction for Amounts Above \$750,000	200	500	700	700	1,000	1,700
Disallow Exclusion for Qualified Moving Expense Reimbursement (Permanent)	5,600	3,900	9,500	3,900	3,900	7,800
Permanent Border City Allocation	-	(750)	(750)	(750)	(750)	(1,500)
Allow Medical Expense Deduction in Excess of 7.5% of AGI for 2017 only	(13,000)	-	(13,000)	-	-	-
Other Changes	4,140	3,920	8,060	4,770	6,020	10,790
Total:	(99,560)	(21,230)	(120,790)	1,420	27,570	28,990
Individual Income Tax Changes (Related to Pass-Throughs)						
Conform to Expanded Bonus Depreciation, But Maintain 80% MN Addback*	9,100	10,700	19,800	10,500	3,700	14,200
Full Conformity with Section 179 Expensing in TY18, Maintain 80% Addback*	3,160	2,800	5,960	2,000	800	2,800
Disallow Certain Active Pass Through Losses (Above \$250k for Single and \$500k for Joint Filers), Temporary*	52,200	46,300	98,500	40,400	41,600	82,000
Limit Net Interest Deduction to 30% of Income*	97,700	92,500	190,200	111,100	136,000	247,100
Modify the Net Operating Loss (NOL) Deduction*	38,800	43,300	82,100	67,400	93,900	161,300

STATE REVENUES

	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Repeal Deferred Gain on Like-kind Exchanges*	4,900	3,300	8,200	4,300	5,600	9,900
Limit Deduction for Employer-provided Meals*	6,400	2,700	9,100	2,700	2,800	5,500
Limit Deduction for Employer-provided Transportation Benefits*	2,900	2,000	4,900	2,100	2,200	4,300
Other Changes and Interactions*	6,200	8,900	15,100	10,600	11,600	22,200
Total:	221,360	212,500	433,860	251,100	298,200	549,300
Corporate Franchise Tax Changes						
Conform to Expanded Bonus Depreciation, But Maintain 80% MN Addback, Temporary*	19,100	22,600	41,700	22,100	7,800	29,900
Full Conformity with Section 179 Expensing in TY18, Maintain 80% Addback*	1,180	1,100	2,280	800	300	1,100
Conform to Limit on Net Interest Ded. to 30% of Income (Excluding Small Businesses)*	32,700	15,700	48,400	18,900	23,100	42,000
Repeal Deferred Gain on Like-kind Exchanges*	6,100	4,200	10,300	5,400	7,100	12,500
Limit Deduction for Employer-provided Meals*	17,400	7,300	24,700	7,400	7,600	15,000
Limit Deduction for Employer-provided Transportation Benefits*	13,100	5,600	18,700	5,700	5,900	11,600
Limit Deduction for FDIC Premiums*	12,600	6,100	18,700	6,200	6,300	12,500
Conform to the Modified Historic Rehabilitation Credit, Credit Claimed over a 5-year Period*	39,900	16,400	56,300	9,800	(18,800)	(9,000)
Modify Limit on Excessive Compensation*	6,400	3,600	10,000	3,600	3,600	7,200
Disallow Inclusion of Section 965 Income*	(30,700)	(11,900)	(42,600)	(12,300)	(12,600)	(24,900)
Other Changes and Interactions*	3,540	4,400	7,940	5,500	5,200	10,700
Total:	121,320	75,100	196,420	73,100	35,500	108,600
Subtotal: TCJA-Specific Conformity Changes	243,120	266,370	509,490	325,620	361,270	686,890
<u>Other Conformity Changes by Tax Type</u>						

STATE REVENUES

	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Individual Income Tax Changes						
Bipartisan Budget Act of 2018	(9,755)	(145)	(9,900)	(225)	(290)	(515)
Disaster Tax Relief and Airport and Airway Extension Act of 2017	(2,740)	310	(2,430)	200	100	300
Total:	(12,495)	165	(12,330)	(25)	(190)	(215)
Corporate Franchise Tax Changes						
Bipartisan Budget Act of 2018	(1,440)	270	(1,170)	245	190	435
Disaster Tax Relief and Airport and Airway Extension Act of 2017	(100)	40	(60)	30	10	40
Total:	(1,540)	310	(1,230)	275	200	475
Subtotal: Other Conformity Changes	(14,035)	475	(13,560)	250	10	260
Total: All Conformity Changes	229,085	266,845	495,930	325,870	361,280	687,150
<u>Other Tax Policy Changes by Tax Type</u>						
Individual Income Tax Changes						
Reduce 2nd Bracket Rate to 6.8, Modify 4th Tier Starting Point	(216,800)	(144,000)	(360,800)	(155,900)	(162,400)	(318,300)
Working Family Credit - Increase credit, modify phaseouts	(30,300)	(30,800)	(61,100)	(31,200)	(31,600)	(62,800)
Social Security Subtraction - Increase Max. Subtraction	(4,400)	(4,700)	(9,100)	(4,900)	(5,300)	(10,200)
Small Business Investment (Angel Investor) Tax Credit	(10,000)	-	(10,000)	(10,000)	-	(10,000)
Special TCJA Waiver of Tax Penalties for Tax Years 2017 and 2018	(425)	-	(425)	-	-	-
Other Changes and Interactions	(200)	380	180	370	305	675
Total:	(262,125)	(179,120)	(441,245)	(201,630)	(198,995)	(400,625)
Corporate Franchise Tax Changes						
Modify the Net Operating Loss (NOL) Deduction	49,500	21,500	71,000	21,500	21,500	43,000
Modify Mutual Fund Manager Apportionment	6,300	9,000	15,300	12,500	12,500	25,000
Special TCJA Waiver of Tax Penalties for Tax Years 2017 and 2018	(522)	-	(522)	-	-	-
Other Changes and Interactions	130	1,750	1,880	1,210	1,030	2,240
Total:	55,408	32,250	87,658	35,210	35,030	70,240

STATE REVENUES

	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Sales Tax Changes						
Marketplace Provider Collection Rqmnts. Modifications including a Remote Seller Threshold Change	230	350	580	350	350	700
Exemption by Refund, Construction, Materials Purchases, City of Minnetonka - Public Safety Facility	-	(800)	(800)	-	-	-
Exemption by Refund, Construction, Materials Purchases, City of Inver Grove Heights - Fire Station	(280)	-	(280)	-	-	-
Exemption by Refund, Construction, Materials Purchases, City of Mendota Heights - Fire Station	-	(180)	(180)	-	-	-
Exemption by Refund, Construction, Materials Purchases, City of Monticello - Fire Station	(170)	-	(170)	-	-	-
Exemption by Refund, Construction, Materials Purchases, City of Melrose - Property Replacement	(80)	(80)	(160)	(20)		(20)
Exemption by Refund, Construction, Materials Purchases, City of Mazeppa - Property Replacement	-	(15)	(15)	-	-	-
Exemption by Refund, Construction Materials Purchases, Dakota Co. Law Enforcement Ctr.	(190)	(60)	(250)	-	-	-
Exemption by Refund, Construction, Materials Purchases, I.S.D. 414 - School Building	(140)	-	(140)	-	-	-
Exemption, Sales by County Agricultural Societies at County Fairs	(1,200)	(1,500)	(2,700)	(1,500)	(1,500)	(3,000)
Exemption, Sales to Non Profit Ice Arena David M. Thaler Sports Center	(10)	(10)	(20)	(10)	(10)	(20)
Exemption, Sales of Herbicides - Aquatic Invasive Species	(130)	(140)	(270)	(140)	(140)	(280)
Exemption, Admissions - Non Profit Agricultural Society Organizations	(10)	(10)	(20)	(10)	(10)	(20)
Increase Accelerated June Payment Requirement in FY20 and Decrease in FY22	20,100	690	20,790	(9,900)	290	(9,610)
Total:	18,120	(1,755)	16,365	(11,230)	(1,020)	(12,250)

STATE REVENUES

	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Statewide Property Tax Changes						
Reduce Statewide Levy Amount on CI and SRR	(27,500)	(50,000)	(77,500)	(50,000)	(50,000)	(100,000)
Natural Gas Pipeline Property Tax Abatement	-	-	-	-	(10)	(10)
Total:	(27,500)	(50,000)	(77,500)	(50,000)	(50,010)	(100,010)
Other Tax Changes						
Other Changes and Interactions	3,000	5	3,005	(1,405)	-	(1,405)
Total:	3,000	5	3,005	(1,405)	-	(1,405)
Total General Fund Tax Revenue Changes:	15,988	68,225	84,213	96,815	146,285	243,100
Non-Tax Revenue Changes						
Eliminate TANF Transfer for Working Family Credit	(24,294)	(24,521)	(48,815)	(24,873)	(25,133)	(50,006)
Other Changes	14,442	23,704	38,146	23,596	23,453	47,049
Total:	(9,852)	(817)	(10,669)	(1,277)	(1,680)	(2,957)
Total General Fund Changes	6,136	67,408	73,544	95,538	144,605	240,143

* This tax policy change had FY 2019 effects. Those effects were included in the FY 2020 amount.

Chapter 6 limited the net interest deduction to 30 percent of adjusted taxable income in most cases. Under pre-TCJA law, interest paid or accrued by a business generally was deductible in the computation of taxable income. This change increased General Fund revenue by \$8.1 million in FY 2018-19, \$182.1 million in FY 2020-21, and \$247.1 million in FY 2022-23.

Chapter 6 limited NOL deductions for pass-through entities. Before TCJA, when deductions exceeded income, a taxpayer was allowed to carry back this loss for two years and carry it forward up to 20 years to offset taxable income in those years. TCJA limited

the NOL carryforward to 80 percent of taxable income for losses arising in tax years after 2017 and modified the carryback and carryforward periods. Under TCJA, the allowable carryback period is one year and is only available in cases of certain disaster losses in the trade or business of farming that occurred in tax year 2018 and later. Net operating losses generated in tax year 2018 and later may be carried forward indefinitely. Conforming to this change increased General Fund revenues by \$3.2 million in FY 2018-19, \$78.9 million in FY 2020-21, and \$161.3 million in FY 2022-23.

CORPORATE FRANCHISE TAX PROVISIONS

Corporate franchise tax changes enacted in Chapter 6 increased General Fund revenue by \$4.9 million in FY 2018-19, \$191.6 million in FY 2020-21, and \$108.6 million in FY 2022-23. In order to attain consistent tax treatment for different incorporation structures, many of the corporate franchise tax policy changes enacted in Chapter 6 mirror individual income tax changes related to pass-through entities.

For example, as under the income tax, Chapter 6 conformed to higher federal expensing limits for Section 179 and bonus depreciation but maintained the current Minnesota-specific treatment for both programs (an 80 percent addback and five-year cost recovery). The net effect of these changes to the corporate franchise tax increased General Fund revenue by \$980,000 in FY 2018-19, \$43 million in FY 2020-21, and \$31 million in FY 2022-23.

Chapter 6 also enacted modifications to limit net interest deductions. This change to the corporate franchise tax increased General Fund revenue by \$1.4 million in FY 2018-19, \$47 million in FY 2020-21, and \$42 million in FY 2022-23.

Chapter 6 also conformed to the limitations placed on deducting employer-provided meals and transportation. Under pre-TCJA, law, certain fringe benefits such as employer-provided meals, entertainment expenses, and transportation benefits were excluded from an employee's gross income and wages for employment tax purposes since they were considered deductible expenses. Under TCJA these items are no longer deductible and are therefore included in income and taxed accordingly. Conforming to this change

increased General Fund revenue by \$1.4 million in FY 2018-19, \$42 million in FY 2020-21, and \$26.6 million in FY 2022-23.

Chapter 6 modified the deduction available for assessments into the Federal Deposit Insurance Corporation's (FDIC) Deposit Insurance Fund. Assessments for FDIC deposit insurance were previously treated as ordinary and necessary business expenses and therefore deductible. Under TCJA, taxpayers with total consolidated assets less than \$10 billion may still deduct premiums, but the deduction phases out until total consolidated assets reach \$50 billion or more. This change increased General Fund revenue by \$500,000 in FY 2018-19, \$18.2 million in FY 2020-21, and \$12.5 million in FY 2022-23.

Finally, Chapter 6 excluded foreign repatriated income paid as dividends. Under pre-TCJA law, foreign source dividends that were actually distributed to a U.S. shareholder were includable in federal taxable income (FTI). By conforming, foreign repatriated income paid as dividends is treated as previously taxed income. This change decreased General Fund revenue by \$42.6 million in FY 2020-21 and \$24.9 million in FY 2022-23.

OTHER INDIVIDUAL INCOME TAX PROVISIONS

Other individual income tax changes enacted in Chapter 6 decreased General Fund revenue by \$440.8 million in FY 2020-21 and \$400.6 million in FY 2022-23. The largest component was an income tax rate cut. Chapter 6 reduced the rate applied to taxable net income in the second income bracket from 7.05 percent to 6.8 percent. Additionally, Chapter 6 lowered the starting point for the fourth income tax bracket and resulted in more income being taxed at the

highest rate. These changes reduced net income tax revenue to the General Fund by \$360.8 million in FY 2020-21 and \$318.3 million in FY 2022-23.

Chapter 6 modified the working family credit (WFC) in several significant ways. The federal earned income or adjusted gross income limitations that determine eligibility for the WFC no longer apply because eligibility for the Minnesota credit extends beyond the income limits for the federal earned income tax credit. The WFC will be adjusted for inflation beginning with tax year 2020 using C-CPI-U. Chapter 6 also repealed an annual transfer from the Temporary Assistance to Needy Families (TANF) Fund to the General Fund. Eliminating this transfer from the TANF Fund reduced the use of that fund by \$48.8 million in FY 2020-21 and \$50 million in FY 2022-23. [2019 First Special Session, Chapter 9](#), the Omnibus Health and Human Services Act, increased TANF Fund appropriations by \$44.8 million in FY 2020-21 as a result. (See page 78 for additional discussion).

Chapter 6 expanded the Social Security subtraction enacted in 2017 by increasing the allowed subtraction by 10 percent and expanding the phaseout thresholds by approximately three percent. Approximately 178,000 individual tax returns will be affected in tax year 2019, with the average reduction in tax at \$24 per return. This change decreased General Fund revenue by \$9.1 million in FY 2020-21 and \$10.2 million in FY 2022-23. The subtraction will be adjusted for inflation beginning with tax year 2020 using C-CPI-U.

Chapter 6 provided additional allocations to the small business angel investor tax credit program totaling \$10 million in FY 2020 and \$10 million in FY 2022. This program

provides tax incentives for investing in emerging small businesses in Minnesota. (See page 40 for more information on this program.)

OTHER CORPORATE FRANCHISE TAX PROVISIONS

Chapter 6 limited the NOL deduction available to corporations similarly to the limitations imposed on pass-through entities as modified by TCJA. Under the provision, the NOL deduction can be used to reduce a taxpayer's taxable net income by 80 percent. This change decreased General Fund revenue by \$71 million in FY 2020-21 and \$43 million in FY 2022-23, compared to the February 2019 forecast.

Chapter 6 modified the apportionment of income for mutual fund managers. Under the provision, the income of mutual fund service providers will be apportioned to Minnesota based on the portion of the mutual fund's assets owned by Minnesota residents. This change increased General Fund revenue by \$15.3 million in FY 2020-21 and \$25 million in FY 2022-23, compared to the forecast.

SALES TAX PROVISIONS

Chapter 6 enacted a series of modifications that increased sales tax collections to the General Fund by \$16.4 million in FY 2020-21 and decreased sales tax collections to the General Fund by \$12.3 million in FY 2022-23, compared to the February 2019 forecast.

Chapter 6 exempted certain transactions from Minnesota's general sales tax: sales by county agricultural societies at county fairs, sales to the David M. Thaler non-profit ice arena, certain sales of herbicides for invasive aquatic plant management, and admissions sold by non-profit agricultural society

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organizations. Collectively, these exemptions reduced General Fund sales tax revenue by \$3 million in FY 2020-21 and \$3.3 million in FY 2022-23 compared to the forecast.

Chapter 6 also provided sales tax exemptions for construction materials for several projects: public safety facilities in Dakota County and the cities of Minnetonka, Inver Grove Heights, Mendota Heights, and Monticello; a school building for Independent School District 414, Minnetonka; and property replacement related to fire damage in the cities of Mazeppa and Melrose. In total, these changes reduced General Fund sales tax revenue by \$2 million in FY 2020-21 and \$20,000 in FY 2022-23 compared to forecast.

Chapter 6 modified certain collection and remittance requirements for marketplace providers to align the state's sales tax policy with the recent U.S. Supreme Court decision in *South Dakota v. Wayfair*. This change increased projected General Fund sales tax revenue by \$580,000 in FY 2020-21 and \$700,000 in FY 2022-23 compared to forecast.

In addition, the enacted budget contained a one-time increase and a one-time decrease to the percentage of June sales tax receipts that certain filers are required to submit early. The payment percentage increase was enacted for FY 2020, and the decrease was enacted for FY 2022. This increased sales tax revenue to the General Fund by \$20.8 million in FY 2020-21 and reduced it by \$9.6 million in FY 2022-23.

STATEWIDE PROPERTY TAX

Chapter 6 reduced General Fund revenue from the statewide property tax by \$77.5 million in FY 2020-21 and \$100 million in FY 2022-23, compared to the February 2019

forecast. The enacted budget reduced statewide property tax proportionally for the commercial-industrial and seasonal residential recreational property classes.

OTHER TAX AND NON-TAX ITEMS

Chapter 6 also provided a two-year modification of the rules for when additional tax charges (ATC) are incurred due to underpayment of estimated taxes. For tax years 2017 and 2018, Chapter 6 increased the thresholds from \$500 to \$1,000 for individuals and businesses. Filers must submit a waiver indicating that their underpayment was caused by uncertainties in tax planning resulting from TCJA. This change reduced General Fund revenue by \$132,000 in FY 2019 and \$815,000 in FY 2020, compared to forecast.

Chapter 6 provided a statutory allocation from the General Fund to reduce revenue collections by \$750,000 in each fiscal year for border city enterprise zone tax reductions, beginning with FY 2021. This program provides tax incentives (including sales tax exemptions, employer income tax credits, and property tax credits) for new or existing businesses located in a border city enterprise zone to encourage the business to expand its operation, begin operation, or remain in the zone. Allocations to this program finance General Fund tax reductions allocated on a per capita basis among the cities of Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville. Each of the eligible cities must determine that a tax reduction under the program is necessary to retain or attract a specific business before the Commissioner of Revenue may extend a tax incentive. A qualifying city may choose whether to use the allocation for tax reductions under the regular border city enterprise zone program or the border city

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development zone program. A city's allocation remains available until used.

OTHER FUNDS

Chapter 6 repealed the sunset of the provider tax, which was set to expire on December 31, 2019. Chapter 6 extended the tax indefinitely but reduced the rate from two percent to 1.8 percent. This change increased revenue to the Health Care Access Fund (HCAF) by \$873 million in FY 2020-21 and \$1.4 billion in FY 2022-23, compared to forecast. (See page 71 for a detailed discussion of the provider tax and the changes enacted in 2019.)

As noted earlier, Chapter 6 repealed an annual transfer from the TANF Fund to the General Fund, which was used to pay for a portion of the cost of the WFC. The amount transferred each year was based on an estimate of the refundable portion of the expansion of the WFC enacted for FY 2001. This repeal increased revenue to the TANF Fund by \$48.8 million in FY 2020-21 and \$50 million in FY 2022-23. Revenue to the General Fund was decreased by the same amount.

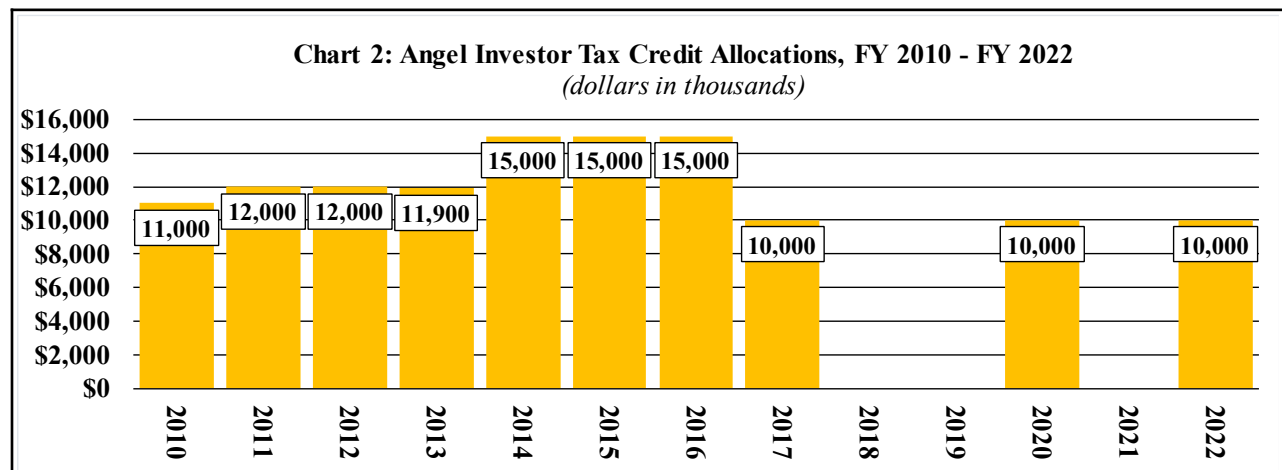
ANGEL INVESTOR TAX CREDIT

The small business investment tax credit, commonly called the angel investor tax credit (ATC), is a tax incentive program designed to help emerging small businesses in Minnesota grow and create jobs by making it easier to raise capital through private investment. Participation in the program is only available to investors and businesses that meet certain requirements set by enacted legislation and implemented by the Department of Employment and Economic Development (DEED). In general, a business in a high-technology industry with a proprietary product, process, or service qualifies for investment. In exchange, investors receive a tax credit worth 25 percent of their investment and equity in the company.

Minnesota established its program in FY 2010 and has periodically allocated funds for it. The credits issued by the Department of Revenue (DOR) are treated as a tax expenditure, and the administrative costs incurred by DEED are financed with application and annual reporting fees imposed on participants.

The ATC program has been modified on several occasions since its inception. In FY 2011, requirements for participation in the program were tightened, and in FY 2014 participation was restricted further. In FY 2014, DOR was required to reserve 50 percent of available credits through the first quarter of the fiscal year for businesses in greater Minnesota as well as for women- and minority-owned and managed businesses. Since credits are awarded on a first-come, first-serve basis, the policy was designed to further encourage investment in those businesses. In addition, the annual credit allocation was increased by \$2 million each fiscal year, and the sunset was extended to FY 2016. Subsequent changes decreased the allocation by \$5 million beginning in FY 2017, but extended the sunset by one fiscal year.

[Chapter 6](#) extended the sunset of the ATC until FY 2022 and allocated \$10 million for the ATC in each of FY 2020 and FY 2022. Additionally, the first-quarter reservation of credits for women- and minority-owned and managed businesses was expanded to include veteran-owned and managed businesses.

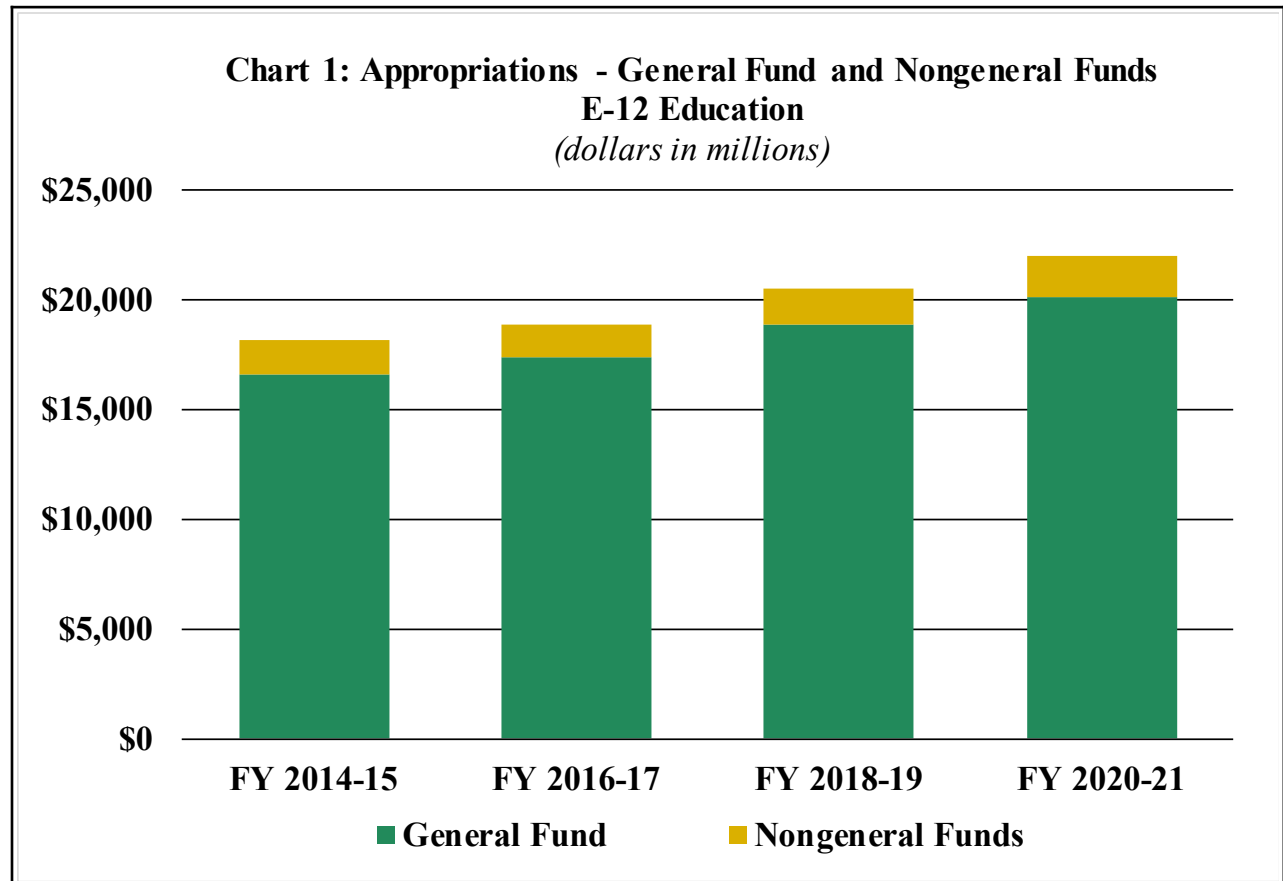


CHAPTER 3 E-12 EDUCATION

The E-12 Education budget included appropriations for early childhood programs, elementary and secondary schools, extended day programs, adult education programs, community education programs, and libraries. For FY 2020-21, appropriations totaled \$22 billion, of which \$20.1 billion, or 91.3 percent, was from the General Fund. E-12 Education comprises 41.5 percent of total General Fund appropriations and is

forecasted to be the largest General Fund spending area in FY 2020-21.

The changes discussed in this chapter were enacted in [2019 First Special Session, Chapter 11](#), the Omnibus Education Act, which provided most education finance provisions for FY 2020-21, and [Chapter 6](#), the Omnibus Tax Act, which enacted an increase to the operating referendum equalization factors.



The E-12 Education all funds appropriations increased in each of the past three biennia. Chart 1 displays E-12 Education appropriations since FY 2014-15 and divides each biennium between the General Fund and the nongeneral funds. The enacted all funds budget in FY 2020-21 totaled \$22 billion, an increase of \$716.5 million, or 3.4 percent, more than the February 2019 forecast, and an increase of \$1.5 billion, or 7.3 percent, more than FY 2018-19 appropriations. The FY 2018-19 all funds appropriations totaled \$20.5 billion, an increase of \$1.7 billion, or nine percent, more than FY 2016-17. The FY 2016-17 all funds appropriations totaled \$18.8 billion, an increase of \$640.7 million, or 3.5 percent, more than FY 2014-15.

The General Fund budget in FY 2020-21 totaled \$20.1 billion, an increase of \$569.5 million, or 2.9 percent, more than the February 2019 forecast, and an increase of \$1.3 billion, or 6.9 percent, more than FY 2018-19 appropriations. FY 2018-19 General Fund appropriations totaled \$18.8 billion, an increase of \$1.4 billion, or 8.2 percent, more than FY 2016-17. FY 2016-17 General Fund appropriations totaled \$17.4 billion, an increase of \$790.5 million, or 4.8 percent, above FY 2014-15. See Appendix D on page 172 for additional historical information.

Basic Revenue

The basic revenue formula is the primary funding source for public schools. Basic revenue equals the formula allowance multiplied by a school district's or charter school's adjusted pupil units. Chapter 11 increased the formula allowance by two percent in each year of the FY 2020-21 biennium to \$6,438 in FY 2020 and \$6,567 in

FY 2021. Basic revenue represents 60.3 percent of total E-12 General Fund appropriations for FY 2020-21.

The changes in the formula allowance increased the FY 2020-21 general education aid appropriations by \$384.4 million above the February 2019 forecast. The general education aid appropriation is the sum of numerous funding formulas, of which the largest component is basic revenue. Several of the other formulas within the general education aid appropriation are statutorily linked to the basic revenue formula allowance and grow whenever the basic formula allowance is increased. These programs are declining enrollment aid, compensatory aid, elementary sparsity aid, secondary sparsity aid, transportation sparsity aid, shared time aid, postsecondary enrollment options aid, private alternative program aid, and online learning aid. The general education aid appropriation increase of \$384.4 million for FY 2020-21 included the increased state aid entitlements for these programs, and was appropriated from the General Fund.

The value of the basic formula allowance also determines, in part, a district's aid for four non-general education aid programs. Nonpublic pupil aid, nonpublic pupil transportation aid, and early childhood family education revenue are statutorily linked to the basic formula allowance. Therefore, the increases to the basic formula allowance increased FY 2020-21 General Fund appropriations for these linked programs by \$4.4 million above the February 2019 forecast. American Indian tribal contract aid, which is also linked to the basic formula allowance, is discussed below.

E-12 EDUCATION

Table 1 - E-12 Education All Funds Biennial Spending/Appropriations by Agency and Fund <i>(dollars in thousands)</i>					
Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
Department of Education					
General Fund	18,782,268	19,510,614	20,071,092	1,288,824	560,478
Special Revenue Fund**	23,538	16,067	161,521	137,983	145,454
Endowment and Permanent School Fund	68,481	71,801	71,801	3,320	-
Expenses in Multiple Funds	(10,743)	(11,948)	(11,948)	(1,205)	-
Gift Fund	288	252	252	(36)	-
Federal Fund	1,603,615	1,674,976	1,674,976	71,361	-
Subtotal for Department of Education:	20,467,447	21,261,762	21,967,694	1,500,247	705,932
<i>Dedicated/Constitutional Funds</i>					
Arts and Cultural Heritage Fund	5,066	=	5,200	134	5,200
Subtotal Dedicated/Const. Funds:	5,066	-	5,200	134	5,200
Total Department of Education:	20,472,513	21,261,762	21,972,894	1,500,381	711,132
Perpich Center for Arts Education					
General Fund	14,344	14,010	14,575	231	565
Special Revenue Fund	1,095	770	770	(325)	-
Gift Fund	4	4	4	-	-
Federal Fund	113	71	71	(42)	-
Total Perpich Center for Arts Education:	15,556	14,855	15,420	(136)	565
State Academies					
General Fund	28,368	26,468	27,533	(835)	1,065
Special Revenue Fund	7,268	8,763	8,763	1,495	-
Gift Fund	79	81	81	2	-
Federal Fund	467	478	478	11	-
Total State Academies:	36,182	35,790	36,855	673	1,065
Professional Educator Licensing and Standards Board					
General Fund	6,963	1,691	9,062	2,099	7,371
Special Revenue Fund	293	4,080	480	187	(3,600)
Prof Educator Licensing and Standards Board:	7,256	5,771	9,542	2,286	3,771

E-12 EDUCATION

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
Totals by Fund					
General Fund	18,831,943	19,552,783	20,122,262	1,290,319	569,479
Special Revenue Fund	32,194	29,680	171,534	139,340	141,854
Endowment and Permanent School Fund	68,481	71,801	71,801	3,320	-
Gift Fund	371	337	337	(34)	-
Federal Fund	<u>1,604,195</u>	<u>1,675,525</u>	<u>1,675,525</u>	<u>71,330</u>	-
Subtotal for Regular Funds:	20,537,184	21,330,126	22,041,459	1,504,275	711,333
<i>Dedicated/Constitutional Funds</i>					
Arts and Cultural Heritage Fund	<u>5,066</u>	=	<u>5,200</u>	<u>134</u>	<u>5,200</u>
Subtotal Dedicated/Const. Funds:	5,066	-	5,200	134	5,200
Total for Budget Area	20,542,250	21,330,126	22,046,659	1,504,409	716,533

*As adjusted by FY 2019 changes made in the 2019 sessions.

**Includes transfer of Early Learning Scholarship appropriation from General Fund to Special Revenue Fund.

Early Childhood Education

Chapter 11 included a one-time appropriation of \$46.8 million from the General Fund for FY 2020-21 to extend funding for 4,000 prekindergarten seats for at-risk four-year-olds through the end of the biennium. The funding is distributed through the traditional education finance formulas. Table 2 displays the prekindergarten appropriation increase and the corresponding funding increases for other pupil-driven formulas. Funding provided in FY 2018-19 was also one-time and was scheduled to expire after FY 2019. (See page 28 of the [2017 Fiscal Review](#).) School districts and charter schools may choose to contract with a Head Start, private, or community-based organization to deliver services. Children qualifying for participation in the program at no cost include those who are eligible for the free or reduced-priced lunch program, English language learners,

homeless or foster children, children eligible for special education, or those otherwise at risk.

Districts and charter schools may offer a prekindergarten program to students who do not meet the eligibility criteria above; however, this one-time appropriation must be reserved for students exhibiting a risk factor. Chapter 11 clarified that in addition to using other school general operating fund revenues, districts and charter schools may charge a sliding-scale fee based on family income for children who do not exhibit a risk factor. Additionally, Chapter 11 modified the calculation of declining enrollment revenue and compensatory revenue for FY 2022 by excluding the 4,000 prekindergarten seats from the calculations to account for the program's scheduled expiration at the end of FY 2021.

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Table 2 - E-12 Education General Fund Changes Compared to Forecast <i>(dollars in thousands)</i>						
Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Department of Education						
Basic Revenue Formula Allowance Increase	122,233	262,178	384,411	277,628	278,614	556,242
Early Middle College Program	64	72	136	7	-	7
Operating Referendum Equalization	-	8,990	8,990	9,400	8,150	17,550
PSEO for 10th Grade Nonpublic Pupils	10	10	20	10	10	20
Sparsity Revenue for Karlstad Elementary	67	80	147	8	-	8
Voluntary Prekindergarten (VPK): Maintain Existing Slots	16,376	24,665	41,041	2,540	-	2,540
VPK: Achievement and Integration Aid	223	253	476	24	-	24
VPK: Administration	340	340	680	-	-	-
VPK: Alternative Teacher Compensation Aid (Q-Comp)	15	12	27	-	-	-
VPK: Charter School Building Lease Aid	171	221	392	22	-	22
VPK: Long-Term Facilities Maintenance Aid	171	192	363	18	-	18
VPK: School Breakfast	237	237	474	-	-	-
VPK: School Lunch	91	91	182	-	-	-
VPK: Special Education	1,472	1,679	3,151	207	-	207
Nonpublic Pupil Aid	96	221	317	131	11	142
Nonpublic Pupil Transportation	343	729	1,072	425	38	463
Pregnant and Parenting Pupil Transportation	56	56	112	56	55	111
Certificate Incentive Program (FY 2019 Adjustment)	(860)	-	(860)	-	-	-
Certificate Incentive Program	860	-	860	-	-	-
Civic Education Grants	75	75	150	-	-	-
Construction and Skilled Trades Counseling and Report	125	25	150	-	-	-
Minnesota Center for the Book	125	125	250	-	-	-
Minnesota Independence Life College and Community	500	625	1,125	625	625	1,250
Online Access to Music Education Grants	100	100	200	-	-	-
P-TECH Schools	500	500	1,000	791	791	1,582
Race 2 Reduce	50	-	50	-	-	-
Recovery Program Grants (FY 2019 Adjustment)	(114)	-	(114)	-	-	-

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Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Singing Based Pilot Program (FY 2018 Adjustment)	(230)	-	(230)	-	-	-
Singing Based Pilot Program	230	-	230	-	-	-
Starbase MN (FY 2018 Adjustment)	(1,350)	-	(1,350)	-	-	-
Starbase MN	1,350	-	1,350	-	-	-
Tribal Contract Schools	1,450	1,984	3,434	2,227	2,393	4,620
Vision Therapy Pilot Project (FY 2019 Adjustment)	(200)	-	(200)	-	-	-
Collaborative Urban and Greater Minnesota Educators of Color Grants (Moved to PELSB)	(1,000)	(1,000)	(2,000)	(1,000)	(1,000)	(2,000)
Minnesota Council on Economic Education	117	118	235	-	-	-
Northwest Regional Partnership (FY 2018 Adjustment)	(1,000)	-	(1,000)	-	-	-
Northwest Regional Partnership	1,000	-	1,000	-	-	-
Statewide Concurrent Enrollment Teacher Training Program (FY 2018 and FY 2019 Adjustments)	(400)	-	(400)	-	-	-
Statewide Concurrent Enrollment Teacher Training Program	400	-	400	-	-	-
Special Education Funding Increase and Reform	25,440	65,251	90,691	69,956	72,235	142,191
Suicide Prevention Training for Teachers Grant	265	-	265	-	-	-
College Savings Account Pilot Program	250	250	500	-	-	-
Early Childhood Family Education (ECFE)	959	2,056	3,015	2,176	2,187	4,363
Early Learning Scholarships (FY 2019 Adjustment)	(4,500)	-	(4,500)	-	-	-
Early Learning Scholarships	4,500	-	4,500	-	-	-
Early Learning Scholarships (General Fund Appropriation)	(75,209)	(70,709)	(145,918)	(70,709)	(70,709)	(141,418)
Early Learning Scholarships (Transfer to Special Revenue Fund)	75,209	70,709	145,918	70,709	70,709	141,418
Reach Out and Read Minnesota	75	75	150	-	-	-
Education Partnership Program	770	770	1,540	-	-	-
High School Equivalency Tests	120	120	240	-	-	-
Board of School Administrators (moved from Special Revenue Fund)	232	232	464	232	232	464
Board of School Administrators Fee Increase	87	87	174	87	87	174
Department of Education Litigation Fees (FY 2019 Adjustment)	(2,500)	-	(2,500)	-	-	-

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Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Department of Education Litigation Fees	4,700	-	4,700	-	-	-
Mainframe System	400	480	880	480	480	960
Operating Increase	1,265	1,669	2,934	1,669	1,669	3,338
Department of Education Total	186,910	373,568	560,478	367,719	366,577	734,296
Professional Educator Licensing and Standards Board						
PELSB Base (moved from Special Revenue Fund)	1,926	1,846	3,772	1,846	1,846	3,692
Collaborative Urban and Greater Minnesota Educators of Color Grants (moved from MDE)	1,099	1,000	2,099	1,000	1,000	2,000
Teachers of Color - Mentoring and Retention Incentive Grants	750	750	1,500	750	742	1,492
Professional Educator Licensing and Standards Board Total	3,775	3,596	7,371	3,596	3,588	7,184
Minnesota State Academies						
Operating Increase	515	550	1,065	550	550	1,100
Minnesota State Academies Total	515	550	1,065	550	550	1,100
Perpich Center for Arts Education						
Operating Increase	210	275	485	275	275	550
Crosswinds Severance Payments and Required Payouts (FY 2019 Adjustment)	(800)	-	(800)	-	-	-
Crosswinds Severance Payments and Required Payouts	80	-	80	-	-	-
Perpich Center for Arts Education Total	290	275	565	275	275	550
Total General Fund Changes	191,490	377,989	569,479	372,140	370,990	743,130

Chapter 11 modified the funding structure for the early learning scholarship program by creating an early learning scholarship account in the Special Revenue Fund. In FY 2020-21, \$145.9 million for the program was transferred from the General Fund to the new account. Amounts in the account are statutorily appropriated to MDE, carry forward past the end of a biennium, and are

available until spent. This provision allows MDE to reallocate returned scholarship funds to additional qualifying families and reduce the waiting list. The early learning scholarship appropriation remained at the February 2019 forecasted amount, except for a cancellation and reappropriation of \$4.5 million from the FY 2019 appropriation, as discussed below.

Special Education

Chapter 11 modified special education aid in four ways. Together, these provisions increased the General Fund special education aid appropriation in FY 2020-21 by \$90.7 million and increased the FY 2022-23 planning estimates by \$142.2 million, compared to the February 2019 forecast.

First, Chapter 11 created a new category of special education aid called cross subsidy reduction aid. The term cross subsidy refers to the difference between a district's special education expenditures and the district's special education revenues. Each district will receive additional special education aid based on a percentage of its initial special education cross subsidy in the prior fiscal year.

Second, Chapter 11 reduced the amount of unreimbursed special education costs that charter schools and serving school districts can bill back to resident school districts from 90 percent to 85 percent in FY 2020 and to 80 percent in FY 2021 and later. Charter schools are held harmless through increased special education aid payments. This change addresses concerns that charter schools and serving school districts had an incentive to increase special education billings to school districts by offering more expensive individualized education programs.

Third, under current law special education aid for some districts is initially calculated using a census-based model, which assigns a per pupil funding amount based on the student's

primary disability category. Chapter 11 adjusted the census aid amounts for each of the disability categories to align with the most recent calculation of statewide averages for each of those categories. The aid amounts for two of the three disability categories increased, while the aid amount for the third disability category decreased based on FY 2018 statewide averages.¹

Finally, Chapter 11 modified the minimum aid amount and growth cap provisions of the special education aid formula. Previously, school districts' special education aid amounts were based partially on their FY 2016 spending. The enacted provisions modify the formula to incrementally decouple a district's current year special education aid amounts from the district's FY 2016 spending, which may have been unusually high or low. The FY 2016 base year for the minimum aid and growth cap was enacted during the 2013 session. The changes are intended to reduce the disparities between districts in the amount of special education costs reimbursed with state aid.

American Indian Tribal Contract Aid

Tribal contract aid supplements federal aid for the four schools in Minnesota operated by the federal Bureau of Indian Affairs. Chapter 11 increased the maximum American Indian tribal contract aid for FY 2020 and later from \$1,500 per pupil to 51.17 percent of the basic formula allowance per pupil. Based on the FY 2020 and FY 2021 formula allowances, the FY 2020 and FY 2021 maximum contract

¹ The aid amount for the primary disability areas of autism spectrum disorders, developmental delay, and severely multiply impaired increased from \$10,400 to \$13,300 per pupil. The aid amount for the primary disability areas of deaf and hard-of-hearing and emotional or behavioral disorders increased from \$18,000 to \$19,200 per pupil. The aid amount for the primary disability areas of developmentally cognitive mild-moderate and severe-profound, physically impaired, visually impaired, and deafblind decreased from \$27,000 to \$25,200 per pupil.

aid is \$3,294 and \$3,360 per pupil. This change links the maximum American Indian tribal contract aid to the value of the basic formula allowance, so future increases to the formula allowance will carry a corresponding increase to American Indian tribal contract aid.

The FY 2020-21 General Fund appropriation for tribal contract aid increased by \$3.4 million above forecast because of the modified maximum aid amount and the basic formula allowance increases for FY 2020-21. The total FY 2020-21 General Fund appropriation was \$7 million.

Education Partnerships Grants

Chapter 11 appropriated \$2.5 million in FY 2020-21 from the General Fund for grants to expand the activities of education partnerships that are in the planning, development, or early implementation phases. This is an increase of \$1.5 million over the February 2019 forecast. Recipients are coalitions of education partners who seek to improve the educational and developmental outcomes of children. Each education partnership has the flexibility to use the grant to provide integrated evidence-based support services to children and their families.

The FY 2020-21 recipients included the Northfield Healthy Community Initiative, the Jones Family Foundation for the Every Hand Joined program, the United Way of Central Minnesota for Student Success program, the Austin Aspires program, and the Rochester Area Foundation for the Cradle to Career program. For FY 2022 and later, the planning estimate of \$960,000 must be awarded on a competitive basis, as determined by the Commissioner of Education.

Minnesota Independence College and Community

Chapter 11 appropriated \$1.1 million in FY 2020-21 from the General Fund for a grant to Minnesota Independence College and Community. The vocational and life skills training program helps young adults with learning differences and autism spectrum disorders transition to independent living and financial self-sufficiency. The appropriation is in addition to those made under [Chapter 64](#), the Omnibus Higher Education Act. (See page 53 for additional discussion.)

P-TECH

Chapter 11 established P-TECH schools as a public-private partnership to prepare students beginning in grade nine for high-skill jobs of the future in growth industries. Growth industries are locally identified by the P-TECH partnership as industries with high-wage, high-skill, and high-demand jobs. Students enrolled in a P-TECH school have the opportunity to earn a cost-free associate degree, participate in workplace learning opportunities, and be first in line for a job with the P-TECH school's business partner upon graduation. Chapter 11 appropriated \$1 million from the General Fund in FY 2020-21 for a grant to a P-TECH partnership that includes the Rochester school district. It established base funding of \$1.6 million for FY 2022-23.

Teachers of Color Mentoring and Retention Incentive Grants

Chapter 11 appropriated \$1.5 million from the General Fund in FY 2020-21 for the development and expansion of mentoring, induction, and retention programs for teachers of color or American Indian teachers. It required grant recipients to

negotiate additional retention strategies or protection from layoffs for teachers of color or American Indian teachers. Additionally, Chapter 11 expanded the use of staff development revenue and achievement and integration revenue to allow districts to use the funds for mentorship stipends and certain other activities, such as professional learning communities for teachers of color or American Indian teachers, induction programs for new teachers, and professional development courses related to closing the opportunity and achievement gaps.

Operating Referendum Revenue and Local Optional Revenue

Chapter 11 modified the operating referendum revenue program in two ways. First, a portion of operating referendum revenue was moved to the local optional revenue program. Operating referendum revenue is an equalized levy that allows districts to increase their general education revenue with only school board approval for the first \$300 per pupil and with voter approval for the remainder of the revenue. Local optional revenue is similar to operating referendum revenue in purpose and use, except the entire amount is school board approved. Chapter 11 transferred the \$300 per pupil of operating referendum revenue to local optional revenue. This change responds to school district concerns about public transparency by making all operating referendum revenue voter approved, rather than just a portion. It also addresses concerns of potential unintended loss of revenue due to the complexity of the calculations and confusing interactions between the programs.

In addition, the equalization formulas were modified so that the changes will not have any effect on the total amount of aid and levy for a district. Equalization formulas are used

to reduce the property tax burden for districts with lower property wealth by providing them with more state aid. Operating referendum revenue has three tiers of equalization. The first \$300 per pupil of revenue is equalized under tier 1 using the strongest equalizing factor, meaning districts with the lowest property wealth will receive the most state aid. The tier 1 equalizing factor was moved to local optional revenue with the transfer of the \$300 per pupil in revenue authority, so operating referendum revenue is now equalized using two tiers rather than three.

The second change to operating referendum revenue was enacted in 2019 First Special Session, Chapter 6, the Omnibus Tax Act. This provision increased the equalization factor for the new tier 1 from \$510,000 to \$567,000. This change increased state aid and reduced property taxes in FY 2020-21 by \$9 million for school districts with lower property wealth per pupil. For districts with referendum market values below the new equalizing factor, a portion of referendum revenue will shift from local levy to state aid.

Agency Budgets

Chapter 11 increased FY 2020-21 operating budget appropriations for the Minnesota Department of Education (MDE), the Minnesota State Academies for the Deaf and Blind and the Perpich Center for Arts Education. MDE's General Fund appropriation for FY 2020-21 increased by a net total of \$8.7 million above the February 2019 forecast. Of that amount, \$4.7 million was for litigation fees (including \$2.5 million of reappropriated funds, discussed below), \$2.9 million was for an operating increase, \$880,000 was for updates to the mainframe data systems at MDE, and \$174,000 was for the Board of School Administrators' (BOSA)

licensure fee increase from \$75 to \$100. The BOSA fee change also increased General Fund revenues by \$174,000 for FY 2020-21, which offset the increased appropriation.

Chapter 11 increased the FY 2020-21 General Fund appropriation for the Minnesota State Academies by \$1.1 million compared to the February 2019 forecast. Chapter 11 also increased the FY 2020-21 General Fund appropriation for the Perpich Center for Arts Education by \$485,000 compared to forecast.

Chapter 11 repealed the provisions in [Laws 2017, First Special Session, Chapter 5](#), that transferred the appropriations and revenue for PELSB and BOSA from the General Fund to the Special Revenue Fund beginning in FY 2020. (See page 36 of the [2017 Fiscal Review](#).) As a result, the PELSB General Fund appropriation increased by \$3.8 million and the MDE General Fund appropriation for BOSA increased by \$464,000 for FY 2020-21 compared to the February 2019 forecast. There was a corresponding increase in General Fund revenues for PELSB and

BOSA in FY 2020-21, which offset the increased appropriations.

Cancelled and Reappropriated Funds

Unspent General Fund appropriations for six E-12 grant programs (Certificate Incentive Program, Singing-based Pilot Program; Northwest Regional Partnership; Statewide Concurrent Enrollment Teacher Training Program; Early Learning Scholarships; and Starbase science, technology, engineering, and math program) were scheduled to expire at the end of FY 2019. The grant recipients requested that the unspent funds be made available for use through the FY 2020-21 biennium. Chapter 11 cancelled the unspent portion, totaling \$8.3 million, and reappropriated an equal amount for FY 2020-21. In addition, \$2.5 million from the FY 2018-19 MDE appropriation for litigation fees, which was expected to go unspent, was cancelled and reappropriated for FY 2020-21. In total, \$10.8 million in FY 2018-19 appropriations were cancelled. Table 1 displays these cancellations as part of the FY 2018-19 columns.

E-12 EDUCATION

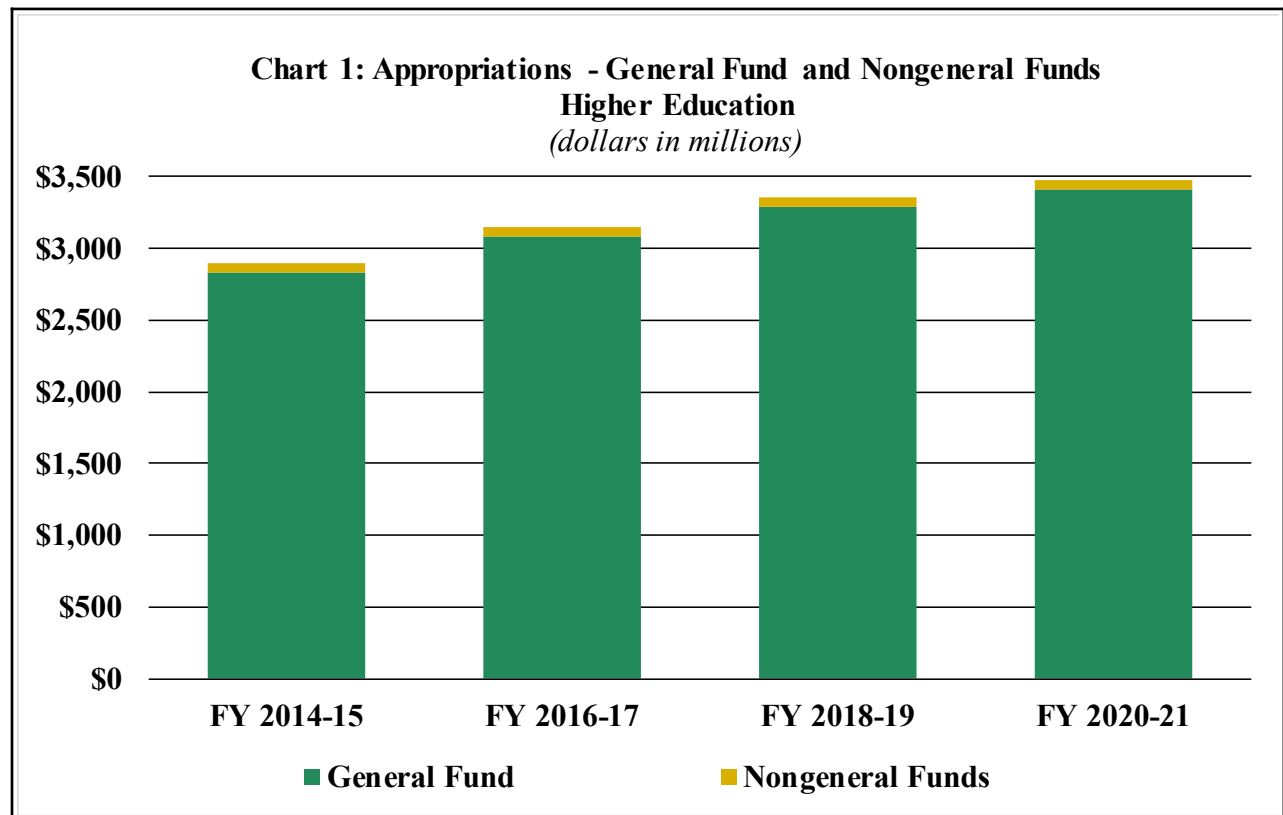
Table 3 - E-12 Education Revenue Changes Compared to Forecast <i>(dollars in thousands)</i>							
Revenue Changes by Agency	Fund	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Department of Education							
BOSA Fee Increase	General	87	87	174	87	87	174
BOSA Fees (moved from Special Revenue Fund)	General	260	260	520	260	260	520
Head Start Background Checks	Special Revenue	51	8	59	8	8	16
BOSA Fees (moved to General Fund)	Special Revenue	(232)	(232)	(464)	(232)	(232)	(464)
Early Learning Scholarships (transfer from General Fund)	Special Revenue	75,209	70,709	145,918	70,709	70,709	141,418
Department of Education Total		75,375	70,832	146,207	70,832	70,832	141,664
Professional Educator Licensing and Standards Board							
Teacher Licensure Revenue (moved from Special Revenue Fund)	General	1,898	1,818	3,716	1,818	1,818	3,636
Teacher Background Checks	Special Revenue	86	86	172	86	86	172
Teacher Licensure Revenue (moved to General Fund)	Special Revenue	(1,926)	(1,846)	(3,772)	(1,846)	(1,846)	(3,692)
Professional Educator Licensing and Standards Board Total		58	58	116	58	58	116
Total Revenue Changes by Fund							
General Fund		2,245	2,165	4,410	2,165	2,165	4,330
Special Revenue Fund		73,137	68,717	141,854	68,717	68,717	137,434
Total Revenue Changes for Budget Area		75,382	70,882	146,264	70,882	70,882	141,764

CHAPTER 4 HIGHER EDUCATION

[Chapter 64](#), the Omnibus Higher Education Act, appropriated funds to support the Office of Higher Education (OHE), the Minnesota State Colleges and Universities (Minnesota State), the University of Minnesota, and the Mayo Clinic.

In total, Chapter 64 appropriated \$3.5 billion in all funds for higher education in FY 2020-21. All funds appropriations increased in each of the past three biennia. Chart 1 displays higher education appropriations since FY

2014-15 and divides each biennium between the General Fund and nongeneral funds. The all funds enacted budget was \$170.6 million, or 5.1 percent, more than the February 2019 forecast and \$88.2 million, or 2.6 percent, more than FY 2018-19. The FY 2018-19 higher education all funds budget was \$228.1 million, or 7.1 percent, more than FY 2016-17. FY 2016-17 was \$255.3 million, or 8.7 percent, higher than FY 2014-15. (See Appendix D on page 172 for additional historical information).



HIGHER EDUCATION

In FY 2020-21, General Fund appropriations to Higher Education were 97.4 percent of its all funds budget. General Fund appropriations in the enacted budget for FY 2020-21 were \$150.3 million, or 4.6 percent, higher than the February 2019 forecast, and \$116 million, or 3.5 percent, higher than FY 2018-19. The FY 2018-19 General Fund appropriations were \$205.2 million, or 6.7 percent, greater than FY 2016-17, and FY 2016-17 was \$251.2 million, or 8.9 percent, more than FY 2014-15.

Table 1 displays the all funds enacted budget and compares FY 2020-21 to the forecast and the previous biennium. Table 2 on page 58 displays individual changes in the General Fund for FY 2020-21 and FY 2022-23.

OFFICE OF HIGHER EDUCATION

OHE's total FY 2020-21 General Fund appropriation of \$538 million was a \$25 million, or 4.6 percent, increase over the February 2019 forecast and included increased funding for financial aid programs, agency operations, and various other initiatives. \$8.9 million of the total appropriation was for OHE's administration, an increase of \$750,000 over the February 2019 forecast.

Most of the increase in the FY 2020-21 appropriation to OHE supported formula changes to the state grant program that provides financial aid to low- and middle-income Minnesota students attending institutions within the state. Chapter 64 appropriated \$414.9 million for this purpose in FY 2020-21, which exceeded the FY 2018-19 appropriation by \$18.2 million, or 4.6

percent, and was also \$18.2 million, or 4.6 percent, above the February 2019 forecast. This increase funded two changes in the calculation of grant awards: a two percent reduction in the assigned family responsibility for all student types and an increase in the living and miscellaneous expense allowance from 101 percent to 106 percent of the federal poverty guidelines for a one person household in Minnesota for nine months if no other allowance is specified in law.

Chapter 64 appropriated \$2.4 million from the General Fund in FY 2020-21 for two new initiatives. It appropriated \$2 million one-time to establish the MN Reconnect program to assist adult learners with college credit who are returning to complete their degrees, and it also appropriated \$400,000 ongoing for student loan debt counseling.

Chapter 64 contained General Fund increases to several other OHE-administered programs in FY 2020-21 compared to the February 2019 forecast, including the Statewide Longitudinal Education Data System (\$1.8 million), grants to certain teaching candidates (\$1.5 million), an ongoing grant to College Possible (\$500,000), Intervention for College Attendance Program (ICAP) grants (\$250,000), stipends for eligible students attending certain summer academic enrichment programs (\$250,000), and emergency assistance for postsecondary students (\$188,000). Except for the elimination of a \$810,000 grant related to a web-based student-employer connection system, all other programs funded through OHE continued to receive appropriations at the FY 2020-21 forecasted level.

HIGHER EDUCATION

Table 1 - Higher Education All Funds Biennial Spending/Appropriations by Agency and Fund <i>(dollars in thousands)</i>					
Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst. Base
Office of Higher Education					
General Fund	524,630	513,016	538,016	13,386	25,000
Special Revenue Fund	16,217	12,642	12,642	(3,575)	-
Gift Fund	30	-	-	(30)	-
Federal Fund	6,158	8,742	8,742	2,584	-
Expenses in Multiple Funds	(510)	(634)	(634)	(124)	-
Total OHE:	546,525	533,766	558,766	12,241	25,000
Minnesota State					
General Fund	<u>1,452,938</u>	<u>1,442,838</u>	<u>1,524,338</u>	<u>71,400</u>	<u>81,500</u>
Subtotal for Minnesota State:	1,452,938	1,442,838	1,524,338	71,400	81,500
<i>Dedicated/Constitutional Funds</i>					
Env and Natural Resources Trust Fund	<u>1,592</u>	=	<u>741</u>	<u>(851)</u>	<u>741</u>
Subtotal Dedicated/Const. Funds:	1,592	-	741	(851)	741
Total Minnesota State:	1,454,530	1,442,838	1,525,079	70,549	82,241
University of Minnesota					
General Fund	1,309,822	1,297,272	1,341,072	31,250	43,800
Special Revenue Fund	44,751	44,740	44,740	(11)	-
Health Care Access Fund	4,314	4,314	4,314	-	-
Agricultural Fund	<u>500</u>	=	=	<u>(500)</u>	=
Subtotal for University of Minnesota:	1,359,387	1,346,326	1,390,126	30,739	43,800
<i>Dedicated/Constitutional Funds</i>					
Env and Natural Resources Trust Fund	42,919	-	17,495	(25,424)	17,495
Clean Water Fund	2,015	-	2,000	(15)	2,000
Arts and Cultural Heritage Fund	=	=	<u>100</u>	<u>100</u>	<u>100</u>
Subtotal Dedicated/Const. Funds:	44,934	-	19,595	(25,339)	19,595
Total University of Minnesota:	1,404,321	1,346,326	1,409,721	5,400	63,395

HIGHER EDUCATION

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst. Base
Mayo Clinic					
General Fund	2,702	2,702	2,702	-	-
Total Mayo Clinic:	2,702	2,702	2,702	-	-
Totals by Fund					
General Fund	3,290,092	3,255,828	3,406,128	116,036	150,300
Special Revenue Fund	60,968	57,382	57,382	(3,586)	-
Health Care Access Fund	4,314	4,314	4,314	-	-
Agricultural Fund	500	-	-	(500)	-
Gift Fund	30	-	-	(30)	-
Federal Fund	6,158	8,742	8,742	2,584	-
Expenses in Multiple Funds	(510)	(634)	(634)	(124)	-
Subtotal for Regular Funds:	3,361,552	3,325,632	3,475,932	114,380	150,300
<i>Dedicated/Constitutional Funds</i>					
Env and Natural Resources Trust Fund	44,511	-	18,236	(26,275)	18,236
Clean Water Fund	2,015	-	2,000	(15)	2,000
Arts and Cultural Heritage Fund	=	=	100	100	100
Subtotal Dedicated/Const. Funds:	46,526	-	20,336	(26,190)	20,336
Total for Budget Area	3,408,078	3,325,632	3,496,268	88,190	170,636

* As adjusted by FY 2019 changes made in the 2019 sessions.

MINNESOTA STATE COLLEGES AND UNIVERSITIES

Chapter 64 appropriated \$1.5 billion from the General Fund to Minnesota State in FY 2020-21. This appropriation is \$81.5 million, or 5.6 percent, more than the February 2019 forecast and is \$71.4 million, or 4.9 percent, more than FY 2018-19. The entire increase was for institutional operations and maintenance (O&M), bringing the total O&M appropriation to \$1.4 billion. The appropriations for the central office of Minnesota State and services shared across campuses (\$66.1 million) and for the

Learning Network of Minnesota, the core telecommunications network infrastructure for the Minnesota State system (\$8.2 million), remained unchanged from both the forecasted base and the previous biennium.

The appropriation increase to O&M in FY 2020-21 included:

- \$64.5 million for general campus support and tuition relief;
- \$8 million (in addition to an \$8 million base) to support ongoing replacement of Minnesota State's integrated statewide

HIGHER EDUCATION

record system, which provided students, faculty, and staff with application, registration, housing, financial aid, transcript, accounting, and human resource services for over twenty years;

- \$7 million (in addition to a \$1 million base) for the workforce development scholarship program at Minnesota State's two-year colleges, designed to encourage enrollment in programs leading to employment in high-demand occupations;
- a one-time \$1 million appropriation to develop and support local partnership programs among Minnesota State campuses, local businesses, and K-12 school districts;
- a one-time \$500,000 appropriation for leveraged equipment acquisition for instructional purposes if matched with contributions from other nonstate sources;
- a one-time \$500,000 appropriation to expand opportunities to earn a "Z-degree" (zero-textbook-cost associate degree) at Minnesota State college campuses;
- a one-time \$250,000 appropriation for mental health services; and
- \$200,000 (in addition to a \$400,000 base) for the Cook County Higher Education Board for academic support services in northeastern Minnesota.

Table 2 displays these changes in detail.

Chapter 64 established limits on Minnesota State tuition increases for the 2019-20 and

2020-21 school years. The enacted budget requires that tuition must not increase by more than three percent per year in either school year, with certain additional provisions for banded tuition rates (where a single flat tuition rate applies to a range of credits) and differential tuition rates for online courses (where the per-credit tuition rate varies from the base rate).

UNIVERSITY OF MINNESOTA

Chapter 64 appropriated \$1.4 billion in FY 2020-21 to the University of Minnesota, of which \$4.3 million was from the Health Care Access Fund for primary care education initiatives, an amount unchanged from both the forecast and the previous biennium. The remainder of the University's total FY 2020-21 appropriation was from the General Fund, an increase of \$43.8 million, or 3.4 percent, compared to the February 2019 forecast and an increase of \$31.3 million, or 2.4 percent, compared to FY 2018-19. \$300,000 of the FY 2020-21 General Fund increase was for a new rare disease council and the remainder of the increase was for operations and maintenance.

MAYO CLINIC

Chapter 64 appropriated \$2.7 million in FY 2020-21 from the General Fund to the Mayo Clinic to support medical training. Of this amount, \$1.3 million was for the medical training of students who are residents of Minnesota, and the remaining \$1.4 million was to provide stipends for up to 27 family practice resident physicians. These amounts are unchanged from both forecasted levels and the previous biennium.

HIGHER EDUCATION

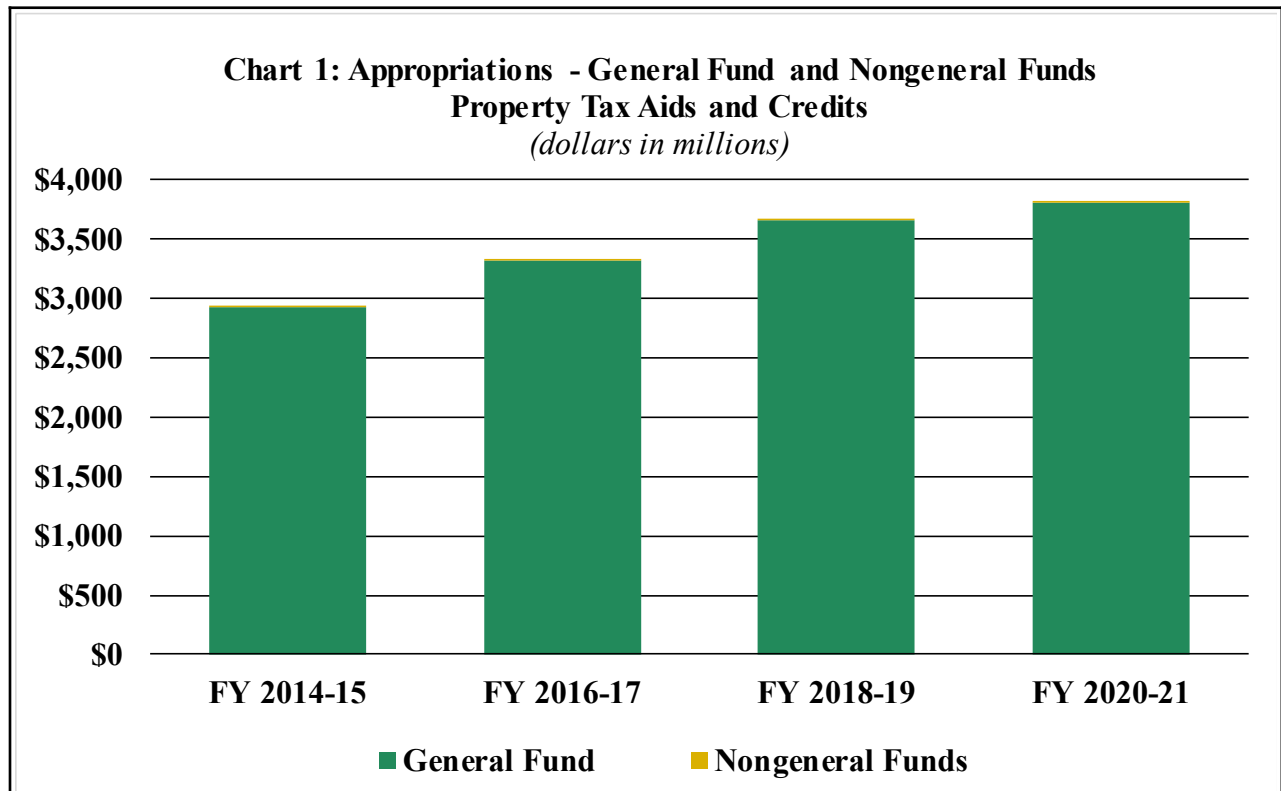
Table 2 - Higher Education General Fund Changes Compared to Forecast <i>(dollars in thousands)</i>						
Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Office of Higher Education						
State Grant	9,081	9,081	18,162	9,081	9,081	18,162
Agency Administration	500	250	750	250	250	500
MN Reconnect	1,005	1,005	2,010	-	-	-
SLEDS	900	900	1,800	900	900	1,800
Summer Academic Enrichment Program	125	125	250	125	125	250
Intervention for College Attendance Program	125	125	250	114	114	228
Student Employer Connection Info. System	(405)	(405)	(810)	(405)	(405)	(810)
Student Loan Debt Counseling	200	200	400	200	200	400
College Possible	250	250	500	250	250	500
Grants to Teaching Candidates	750	750	1,500	750	750	1,500
Emergency Assistance for Postsecondary Students	94	94	188	-	-	-
Total Office of Higher Education	12,625	12,375	25,000	11,265	11,265	22,530
Minnesota State						
Operations and Maintenance	30,760	33,740	64,500	33,740	33,740	67,480
Integrated Statewide Record System	4,000	4,000	8,000	4,000	4,000	8,000
Mental Health Services	125	125	250	-	-	-
Online Ag. Course Development	(50)	(50)	(100)	(50)	(50)	(100)
Veterans to Agriculture Program	(175)	(175)	(350)	(175)	(175)	(350)
Workforce Development Scholarships	1,500	5,500	7,000	3,500	3,500	7,000
Cook County Higher Ed. Board	100	100	200	100	100	200
Z-Degree Textbook Program	250	250	500	-	-	-
Skilled Workforce Partnerships	500	500	1,000	-	-	-
Leveraged Equipment Acquisition	250	250	500	-	-	-
Total Minnesota State	37,260	44,240	81,500	41,115	41,115	82,230
University of Minnesota						
Operations and Maintenance	20,880	22,620	43,500	22,620	22,620	45,240
Rare Disease Council	150	150	300	150	150	300
Total University of Minnesota	21,030	22,770	43,800	22,770	22,770	45,540
Total General Fund Changes	70,915	79,385	150,300	75,150	75,150	150,300

CHAPTER 5 PROPERTY TAX AIDS AND CREDITS

[2019 First Special Session, Chapter 6](#), the Omnibus Tax Act, appropriated a total of \$3.8 billion from the General Fund in FY 2020-21, which was \$64.7 million above the February 2019 forecast and \$145.8 million more than FY 2018-19. The increase of aids and credits in Chapter 6 resulted primarily from increases to local government aid (LGA) and county program aid (CPA), an expansion of the school building bond agricultural credit, several grants to local units of government, an increased appropriation for Minneapolis Employee Retirement Fund aid, and an

appropriation to the Department of Revenue (DOR) for administration of policy changes enacted in Chapter 6.

The Property Tax Aids and Credits (PTAC) net all funds appropriations increased in each of the past three biennia. Chart 1 displays PTAC net appropriations since FY 2014-15 and divides each biennium between the General Fund and the nongeneral funds. The enacted all funds budget in FY 2020-21 totaled \$3.8 billion, an increase of \$64.6 million, or 1.7 percent, more than the



PROPERTY TAX AIDS AND CREDITS

February 2019 forecast, and an increase of \$129.8 million, or 3.5 percent, more than FY 2018-19 appropriations. The FY 2018-19 all funds appropriations totaled \$3.7 billion, an increase of \$338.7 million, or 10.2 percent, more than FY 2016-17. The FY 2016-17 all funds appropriations totaled \$3.3 billion, an increase of \$401 million, or 13.7 percent, above FY 2014-15.

In FY 2020-21, the PTAC General Fund appropriations were nearly 100 percent of its all funds budget. The General Fund budget in FY 2020-21 totaled \$3.8 billion, an increase of \$64.7 million, or 1.7 percent, more than the February 2019 forecast, and an increase of \$145.8 million, or four percent, more than FY 2018-19 appropriations. FY 2018-19 General Fund appropriations totaled \$3.7 billion, an increase of \$336.6 million, or 10.1 percent, more than FY 2016-17. FY 2016-17 General Fund appropriations totaled \$3.3 billion, an increase of \$338 million, or 13.2 percent, above FY 2014-15.

Property Tax Refunds

Chapter 6 lowered property tax refunds from the General Fund by \$1.9 million in FY 2020-21 compared to the February 2019 forecast.

It also modified several aspects of the disabled veteran market value exclusion. This program reduces property taxes paid by disabled veterans, their primary caregivers, or surviving spouses by allowing them to exclude up to \$300,000 of market value for their homestead based on the veteran's service-connected disability rating. Under prior law, surviving spouses were limited to an eight-year exclusion. Chapter 6 eliminated this limit, making the exclusion indefinite

unless the spouse remarries, or sells, transfers, or otherwise disposes of the property. Chapter 6 also extended the due date to apply for the exclusion from July 1 to December 15. These changes reduced estimated property tax refunds by \$630,000 in FY 2020-21 compared to forecast.

Chapter 6 enhanced several aid programs, which had an indirect effect of reducing state-paid property tax refunds. Lower property tax burdens as a result of enhanced school operating referendum equalization and additional state LGA and CPA reduced property tax refunds by \$1.7 million in FY 2020-21. (See page 50 for a detailed discussion on school operating referendum changes.)

In addition, the enacted language allowed shareholders of manufactured home park cooperatives to include property taxes assessed against the park in their calculation of taxes payable when filing for the homestead credit property tax refunds. This change will increase property tax refunds from the General Fund by \$220,000 in FY 2021 and \$440,000 in FY 2022-23.

Local Aids

Chapter 6 increased FY 2020-21 property tax aids by \$58.3 million compared to the forecast and by \$155.8 million compared to FY 2018-19. The majority of this increase was appropriations of \$26 million each to LGA and CPA in FY 2021 and \$60 million each in FY 2022-23. The additional appropriations returned the aid amounts to approximately the same amounts distributed in FY 2002, which was the historical high for these appropriations.

PROPERTY TAX AIDS AND CREDITS

Table 1 - Property Tax Aids and Credits All Funds Biennial Spending/Appropriations by Fund <i>(dollars in thousands)</i>					
Fund/Program	FY 2018-19 Spending	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst. Base
General Fund					
County Program Aid	442,548	469,344	495,344	52,796	26,000
Local Government Aid	1,131,888	990,774	1,016,774	(115,114)	26,000
Property Tax Refunds	1,416,883	1,553,630	1,550,640	133,757	(2,990)
School Building Bond Agricultural Aid	32,430	80,019	89,829	57,399	9,810
Ag. Homestead Market Value Credit	75,858	77,287	77,537	1,679	250
Grants to Various Local Governments	1,200	-	5,647	4,447	5,647
Other Tax Aids and Credits	557,015	567,842	567,842	10,827	-
Total General Fund:	3,657,822	3,738,896	3,803,613	145,791	64,717
Special Revenue Fund	16,675	820	820	(15,855)	-
Health Care Access Fund	379	343	216	(163)	(127)
Highway User Tax Distribution Fund	40	40	40	-	-
State Airports Fund	1	2	2	1	-
Environmental Fund	1	2	2	1	-
Total Other Funds:	17,096	1,207	1,080	(16,016)	(127)
Total for Budget Area	3,674,918	3,740,103	3,804,693	129,775	64,590

Chapter 6 contained several one-time grants totaling \$6.3 million in FY 2020-21 and \$5.4 million in FY 2022-23 from the General Fund. These included:

- \$3 million in FY 2020 to Beltrami County to be used by the county for out-of-home placement costs;
- \$250,000 in FY 2020 to Mahnomen Health Center and \$250,000 in FY 2020 to the White Earth Band of Ojibwe for costs of delivering child welfare services;
- \$500,000 in FY 2020 to Otter Tail County for debt service on a building located in

the city of Fergus Falls and formerly leased by the state to provide residential treatment services;

- \$275,000 in FY 2020 to the city of Lilydale to be used by the city for infrastructure upgrades and associated bond payments related to Highway 13 construction;
- \$129,000 in FY 2020 to the city of Austin to reimburse the city for calendar year 2016 state fire aid and calendar year 2016 supplemental police and fire retirement aid;

PROPERTY TAX AIDS AND CREDITS

- \$38,400 in FY 2020 to the city of Flensburg to forgive aid penalties assessed in the LGA and small cities assistance programs;
- \$2,600 in FY 2020 to the city of Mazeppa and \$2,400 in FY 2020 to Wabasha County, to be used by the city and county for property tax abatements and other costs incurred by public and private entities as a result of a fire in the city of Mazeppa on March 11, 2018;
- \$1.2 million in FY 2020-21 to Wadena County for costs of delivering human services; and
- \$5.4 million in FY 2022 to the DOR for a grant to the city of Virginia to be paid by August 1, 2021, and used by the city to repay loans incurred for utility relocation for the U.S. Highway 53 project.

Property Tax Credits

Chapter 6 expanded on the school agricultural building bond credit originally enacted in 2017. Prior to the enactment of Chapter 6, taxpayers were eligible to receive a property tax credit equal to 40 percent of their property tax attributable to school district bonded debt levies for all property classified as agricultural (excluding the

house, garage, and surrounding one acre of land of an agricultural homestead). Chapter 6 raised the credit percentage to 50 percent for property taxes payable in 2020, 55 percent for property taxes payable in 2021, 60 percent for property taxes payable in 2022, and 70 percent for property taxes payable in 2023 and thereafter.

The estimated cost of this change from the General Fund, including a small property tax interaction, was \$9.9 million in FY 2020-21 and \$45.5 million in FY 2022-23.

Other Appropriations

Chapter 6 increased the state's ongoing contribution to the Public Employee Retirement Account on behalf of the Minneapolis Employee Retirement Fund. This increase totaled \$20 million in FY 2020-21 and \$20 million in FY 2022-23. The increase corresponded with an equal reduction in the employer supplemental contributions made by the city of Minneapolis.

Finally, Chapter 6 appropriated \$3 million annually beginning in FY 2020 to the DOR to administer the tax policy changes that conform to federal tax policy changes and to implement other changes enacted in Chapter 6.

PROPERTY TAX AIDS AND CREDITS

Table 2 - Property Tax Aids and Credits General Fund Changes Compared to Forecast <i>(dollars in thousands)</i>						
Appropriation Changes	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Property Tax Refunds						
Disabled Veteran Market Value Exclusion Modifications	-	(630)	(630)	(70)	(110)	(180)
Property Tax Refunds for Manufactured Home Park Co-ops	-	220	220	220	220	440
Property Tax Refunds Interaction from Alternative Measure of Inflation (C-CPI-U)	-	(1,100)	(1,100)	(2,000)	(3,300)	(5,300)
Other Changes	-	(1,480)	(1,480)	(910)	(120)	(1,030)
Property Tax Refunds Total:	-	(2,990)	(2,990)	(2,760)	(3,310)	(6,070)
Local Aids						
County Program Aid	-	26,000	26,000	30,000	30,000	60,000
Local Government Aid	-	26,000	26,000	30,000	30,000	60,000
City of Virginia Grant for US Highway 53	-	-	-	5,400	-	5,400
Wadena County Grant for Human Services Costs	600	600	1,200	-	-	-
City of Mazeppa and Wabasha County Grants for Fire Remediation	5	-	5	-	-	-
Child Welfare Services Grant to Mahnomen Health Center and White Earth Band of Ojibwe	500	-	500	-	-	-
ICWA Grant for Beltrami County	3,000	-	3,000	-	-	-
City of Lilydale Grant for Highway 13 Construction Costs	275	-	275	-	-	-
City of Austin Reimbursement Grant for Police and Fire Aid	129	-	129	-	-	-
City of Flensburg LGA Forgiveness Grant	38	-	38	-	-	-
Otter Tail County Grant for Residential Treatment Facility Debt Service	500	-	500	-	-	-
Local Aids Total:	5,047	52,600	57,647	65,400	60,000	125,400
Credits						
School Building Bond Agricultural Credit*	-	9,810	9,810	17,480	26,290	43,770
Modify Determination of Household for Ag. Homestead Market Value Credit	-	250	250	260	260	520
Credits Total:	-	10,060	10,060	17,740	26,550	44,290
Total General Fund Changes	5,047	59,670	64,717	80,380	83,240	163,620

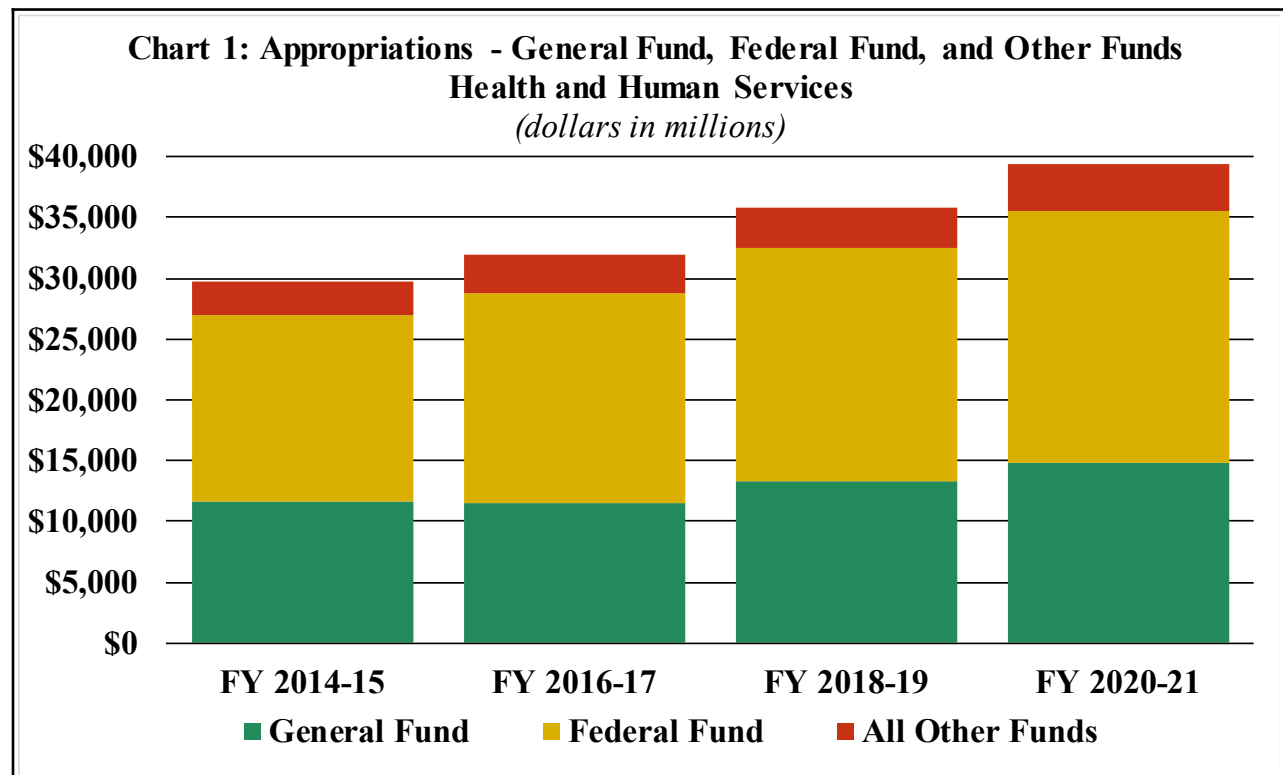
* The full effect of this provision occurs outside of the budget window (in FY 2024).

CHAPTER 6 HEALTH AND HUMAN SERVICES

The Health and Human Services (HHS) budget for FY 2020-21 was enacted in two chapters in the 2019 First Special Session and three chapters in the 2019 regular session. [2019 First Special Session, Chapter 9](#), the Omnibus Health and Human Services Act, established the operating budgets for the Department of Human Services (DHS), the Department of Health (MDH), the Health-Related Licensing Boards, the Emergency Medical Services Regulatory Board (EMSRB), the Council on Disabilities, the Ombudsman for Mental Health and Developmental Disabilities, the

Ombudsperson for Families, and MNsure. [2019 First Special Session, Chapter 6](#), the Omnibus Tax Act, repealed the sunset of the provider tax and reduced the rate from two percent to 1.8 percent, resulting in additional revenue in the Health Care Access Fund (HCAF).

[Chapter 12](#) made a one-time appropriation of \$368,000 in FY 2019 from the General Fund for children's residential mental health treatment facilities. [Chapter 60](#) established new licensure requirements and fees for assisted living facilities and appropriated



funding for MDH to implement the new requirements (see discussion on page 87). [Chapter 63](#) increased licensing fees for drug manufacturers and distributors, established a new opiate product registration fee, and appropriated funds to state agencies to address the state's opiate epidemic (see discussion on page 91).

APPROPRIATIONS SUMMARY

All Funds Biennial Changes

The Health and Human Services all funds appropriations increased in each of the past three biennia. Chart 1 displays HHS appropriations since FY 2014-15 and divides each biennium between the General Fund, Federal Fund, and all other funds. The enacted all funds budget in FY 2020-21 totaled \$39.3 billion, an increase of \$3.5 billion, or 9.7 percent, more than FY 2018-19 appropriations. The \$20.8 billion from the Federal Fund was 53 percent of the HHS all funds budget. The FY 2018-19 all funds appropriations totaled \$35.9 billion, an increase of \$4 billion, or 12.4 percent, more than FY 2016-17. The FY 2016-17 all funds appropriations totaled \$31.9 billion, an increase of \$2.2 billion, or 7.5 percent, above FY 2014-15.

General Fund Biennial Changes

Chart 1 shows that in FY 2020-21, the HHS General Fund appropriations were 37.6 percent of its all funds budget. The General Fund budget in FY 2020-21 totaled \$14.8 billion, an increase of \$1.5 billion, or 10.9 percent, more than FY 2018-19 appropriations. FY 2018-19 General Fund appropriations totaled \$13.3 billion, an increase of \$1.8 billion, or 15.4 percent, more than FY 2016-17. FY 2016-17 General Fund appropriations totaled \$11.5 billion, a decrease of \$75.8 million, or 0.7 percent, less

than FY 2014-15. (See Appendix G on page 183 for additional information.)

Changes Compared to the February 2019 Forecast

The HHS all funds appropriations for FY 2020-21 increased by \$428 million, or 1.1 percent, compared to the February 2019 forecast. The enacted budget reduced General Fund appropriations in FY 2020-21 by \$101.1 million, or 0.7 percent, and increased HCAF appropriations by \$427.8 million, or 29.9 percent, compared to the forecast. Also, the enacted budget increased the Federal Temporary Assistance for Needy Families Fund (TANF Fund) appropriations for FY 2020-21 by \$29.6 million and increased the State Government Special Revenue Fund appropriations by \$13.1 million for FY 2020-21 compared to the forecast. In addition, the FY 2020-21 budget established the Opiate Epidemic Response Fund and appropriated initial funding of \$35.5 million from the new account for programs in HHS. (See the discussion on page 91 for additional information on opiate appropriations.) The changes in appropriations for other funds are shown in Table 1.

Overall, the enacted budget reduced FY 2020-21 General Fund appropriations for DHS by \$150 million, while FY 2020-21 HCAF appropriations for DHS increased by \$426.8 million, compared to the February 2019 forecast. In FY 2020-21, the enacted budget appropriated to MDH an additional \$39.4 million from the General Fund and \$1 million from the HCAF, compared to the forecast. The FY 2020-21 budget increased General Fund appropriations for other agencies in the HHS budget by \$9.5 million compared to the forecast, including a one-time \$8 million appropriation in FY 2020-21 for MNsure.

HEALTH AND HUMAN SERVICES

Table 1 - Health and Human Services All Funds Biennial Spending by Agency and Fund <i>(dollars in thousands)</i>					
Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
Department of Human Services					
General Fund	13,092,633	14,628,253	14,478,290	1,385,657	(149,963)
State Government Special Revenue Fund	8,579	8,598	8,598	19	-
Special Revenue Fund	1,571,590	1,309,696	1,309,155	(262,435)	(541)
Federal Fund	18,596,537	20,282,532	20,282,532	1,685,995	-
Federal TANF Fund	355,575	361,378	390,958	35,383	29,580
Health Care Access Fund	996,469	1,077,138	1,503,953	507,484	426,815
Gift Fund	119	150	150	31	-
Opiate Epidemic Response Fund	-	-	35,343	35,343	35,343
Total-Department of Human Services:	34,621,502	37,667,745	38,008,979	3,387,477	341,234
Department of Health					
General Fund	214,493	231,666	271,017	56,524	39,351
Expenditures in Multiple Funds	(63,694)	(71,573)	(71,573)	(7,879)	-
State Government Special Revenue Fund	107,914	108,795	121,869	13,955	13,074
Special Revenue Fund	111,410	110,649	114,539	3,129	3,890
Federal Fund	518,071	530,748	530,748	12,677	-
Federal TANF Fund	23,426	23,426	23,426	-	-
Health Care Access Fund	76,888	73,116	74,117	(2,771)	1,001
Gift Fund	97	16	16	(81)	-
Clean Water Fund	11,006	-	12,994	1,988	12,994
Environment and Natural Resources Fund	1,000	-	-	(1,000)	-
Environmental Fund	1,488	1,492	1,934	446	442
Medical Education Endowment Fund	158,456	157,982	157,982	(474)	-
Remediation Fund	512	514	514	2	-
Total-Department of Health:	1,161,067	1,166,831	1,237,583	76,516	70,752
Health Related Boards					
General Fund	-	-	370	370	370
Health Related Boards Fund	50,672	47,974	54,377	3,705	6,403
Special Revenue Fund	2,928	1,592	1,592	(1,336)	-
Federal Fund	967	1,018	1,018	51	-
Opiate Epidemic Response Fund	-	-	126	126	126
Total-Health Related Boards:	54,567	50,584	57,483	2,916	6,899

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Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fct. Base
Council on Disability					
General Fund	1,786	1,718	2,020	234	302
Special Revenue Fund	51	-	-	(51)	-
Total-Council on Disability:	1,837	1,718	2,020	183	302
Emergency Medical Services Regulatory Board					
General Fund	7,546	7,206	7,556	10	350
Special Revenue Fund	2,988	2,660	2,660	(328)	-
Federal Fund	259	260	260	1	-
Total-EMSRB:	10,793	10,126	10,476	(317)	350
Ombudsman for Mental Health and Developmental Disabilities					
General Fund	5,034	4,876	4,876	(158)	-
Total-Ombudsman for MH/DD:	5,034	4,876	4,876	(158)	-
MNSure					
General Fund	-	-	8,000	8,000	8,000
Total-MNSure:	-	-	8,000	8,000	8,000
Ombudsperson for Families					
General Fund	926	934	1,437	511	503
Special Revenue Fund	143	320	320	177	-
Total-Ombudsperson for Families:	1,069	1,254	1,757	688	503
Totals by Fund					
General Fund	13,322,418	14,874,653	14,773,566	1,451,148	(101,087)
Expenditures in Multiple Funds	(63,694)	(71,573)	(71,573)	(7,879)	-
State Govt Special Revenue Fund	116,493	117,393	130,467	13,974	13,074
Health Related Boards Fund	50,672	47,974	54,377	3,705	6,403
Special Revenue Fund	1,689,110	1,424,917	1,428,266	(260,844)	3,349
Federal Fund	19,115,834	20,814,558	20,814,558	1,698,724	-
Federal TANF Fund	379,001	384,804	414,384	35,383	29,580
Health Care Access Fund	1,073,357	1,150,254	1,578,070	504,713	427,816
Gift Fund	216	166	166	(50)	-
Opiate Epidemic Response Fund	-	-	35,469	35,469	35,469
Clean Water Fund	11,006	-	12,994	1,988	12,994

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Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
Environment and Natural Resources Fund	1,000	-	-	(1,000)	-
Environmental Fund	1,488	1,492	1,934	446	442
Medical Education Endowment Fund	158,456	157,982	157,982	(474)	-
Remediation Fund	512	514	514	2	-
Total for Budget Area	35,855,869	38,903,134	39,331,174	3,475,305	428,040

* As adjusted by FY 2019 changes made in the 2019 sessions.

REVENUE SUMMARY

The enacted budget increased FY 2020-21 General Fund revenue by \$173 million, and HCAF revenue by \$873 million, compared to the forecast (see Table 3 on page 75). The FY 2020-21 General Fund revenue increase is primarily attributable to a \$142 million one-time transfer to the General Fund from the premium security plan account in the Special Revenue Fund. (See Table 5 on page 81 for more information about changes in the premium security plan account.)

The source of additional FY 2020-21 revenue for the HCAF was the repeal of the sunset of the provider tax. The enacted budget also decreased HCAF revenue in FY 2018-19, compared to the forecast, by eliminating a \$50 million transfer from the General Fund to the HCAF in FY 2019. By law this transfer was scheduled to occur subsequent to a determination by MDH that there were statewide savings of \$50 million attributable

to a reduction in statewide spending on chronic diseases in Minnesota. Eliminating this transfer increased FY 2018-19 resources in the General Fund by \$50 million and reduced HCAF resources by the same amount.

GENERAL FUND AND HEALTH CARE ACCESS FUND

Prior to the budget for FY 2014-15, the HCAF was used primarily for MinnesotaCare and various health reform initiatives administered by MDH, such as the health care homes program and the statewide health improvement program. Over time, HCAF appropriations have become intertwined with the General Fund to such an extent that any meaningful analysis of the HHS budget must include both funds to accurately reflect budget changes. The *2019 Fiscal Review* is the first to analyze the General Fund and the HCAF together.

Table 1A combines the appropriations changes from both funds. The total HHS appropriations from the General Fund and the HCAF for FY 2020-21 increased by \$326.7 million compared to the February 2019 forecast. This increase includes a reduction of \$101.1 million in General Fund appropriations and an increase of \$427.8 million in HCAF appropriations.

Table 1A - Health and Human Services Changes in GF and HCAF Appropriations (dollars in thousands)		
	FY 2020-21	FY 2022-23
General Fund	(101,087)	(280,826)
Health Care Access Fund	427,816	426,988
GF and HCAF Changes	326,729	146,162

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Table 1B - Health and Human Services Budget History
General Fund and Health Care Access Fund, FY 2012-13 to FY 2020-21
(dollars in millions)

	FY 2012- 13	FY 2014- 15	FY 2016- 17	FY 2018- 19	FY 2020- 21	% Change 2012-13 - 2014-15	% Change 2014-15 - 2016-17	% Change 2016-17 - 2018-19	% Change 2018-19 - 2020-21
Dept. of Human Services									
Central Office	263	310	377	447	492	17.8%	21.5%	18.5%	10.1%
Forecasted Programs	9,077	10,049	9,658	11,193	12,519	10.7%	-3.9%	15.9%	11.8%
Grant Programs	596	585	719	781	742	-1.8%	22.9%	8.6%	-4.9%
Direct Care and Treatment	508	557	660	743	809	9.7%	18.4%	12.5%	9.0%
Federal Reimbursement	(46)	(55)	(62)	(71)	(84)	19.1%	13.1%	14.4%	18.6%
Total, DHS	10,398	11,447	11,352	13,093	14,478	10.1%	-0.8%	15.3%	10.6%
Department of Health	144	163	181	214	271	13.3%	10.9%	18.7%	26.4%
Transfer to HCAF	40	-	-	-	-	N/A	N/A	N/A	N/A
MNsure	-	-	-	-	8	N/A	N/A	N/A	N/A
Other Agencies	11	11	12	15	16	4.6%	12.2%	23.4%	6.3%
Total General Fund	10,593	11,621	11,545	13,322	14,774	9.7%	-0.7%	15.4%	10.9%
HCAF - MA	-	350	829	824	1,148	N/A	137.1%	-0.6%	39.3%
HCAF - Other	1,185	855	612	930	710	-27.9%	-28.3%	51.8%	-23.6%
Total, HCAF	1,185	1,204	1,441	1,754	1,858	1.6%	19.7%	21.7%	5.9%
Total General Fund and HCAF	11,778	12,825	12,987	15,076	16,632	8.9%	1.3%	16.1%	10.3%

Table 1B shows the General Fund and HCAF appropriations for the HHS budgets since FY 2012-13. The FY 2012-13 budget did not include a direct appropriation from the HCAF for the medical assistance program (MA), although it did transfer \$427.2 million from the HCAF to the General Fund for costs attributable to the early expansion of MA. The early expansion included individuals with income up to 75 percent of the federal poverty guidelines. In addition, there were transfers of \$45.9 million in FY 2014-15 and \$75 million in FY 2016-17 from the HCAF to the General Fund for the MA expansion to individuals with income of up to 133 percent of the federal poverty guidelines. (See [Fiscal](#)

[Issue Brief](#) for an analysis of the revenues and uses of the HCAF since it was created.)¹

The FY 2014-15 budget enacted the first direct appropriation from the HCAF for MA, which otherwise would have been a General Fund appropriation. The FY 2014-15 budget appropriated \$349.6 million from the HCAF for MA, which was four percent of the FY 2014-15 MA budget. The amount in subsequent budgets increased both in the absolute dollar amount appropriated from the HCAF for MA and in the proportion of the MA budget attributable to the HCAF. The HCAF appropriation for MA in the FY 2020-21 enacted budget was \$1.2 billion and

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represented nine percent of total MA appropriations.

The FY 2020-21 enacted budget for the MA program was \$12.3 billion. Of this total, \$11.1 billion was appropriated from the General Fund and \$1.2 billion was appropriated from the HCAF. Chapter 9 increased the HCAF appropriation for MA by \$312 million and reduced the General Fund appropriation by \$230 million, compared to the February 2019 forecast.

DEPARTMENT OF HUMAN SERVICES

The sections below describe the enacted changes for DHS. The amounts for the change items discussed in this section (and shown in Appendix G) are net changes in appropriations compared to the February 2019 forecast. Chapter 9 made changes to the long-term services and support, children and families, community support/mental health, health care, direct care and treatment, and central office areas of DHS.

Long-Term Services and Support

The DHS continuing care for older adults area and community support area jointly administer publicly funded long-term care programs for older individuals and people with disabilities. Chapter 9 increased FY 2020-21 long-term services and support General Fund appropriations by \$77.1 million compared to the February 2019 forecast.

Disability Waivers. A 4.7 percent competitive workforce factor was added to the formula for the disability waiver rate setting (DWRS) framework for home and community-based

services providers (HCBS). This new provision resulted in a 3.3 percent rate increase for DWRS providers and increased the General Fund appropriation for MA by \$34.2 million. Chapter 9 also changed the frequency of DWRS inflation adjustments from five years to two years, and changed the date of the data used to calculate the inflation adjustment to incorporate three-year-old data. These changes will result in a lower rate increase, but the increase will occur earlier than it would have occurred under the previous inflation adjustment criteria.

Chapter 9 appropriated \$400,000 in FY 2020-21 for a one-time grant program for day training and habilitation providers for operational support during the transition to full implementation of the DWRS payment methodology.

Also, Chapter 9 changed the administration of the HCBS waiver programs and increased General Fund appropriations by \$2.6 million in FY 2020-21 for reconfigured HCBS services and additional service planning resources for people with disabilities.

Personal Care Attendant Rate Increase. Chapter 9 ratified the contract between the state and the Service Employees International Union, which represents personal care attendants. The FY 2020-21 General Fund appropriation for MA increased by \$36.5 million for the provisions in the contract, which include a rate increase, funding for additional paid time off, additional paid holidays, and training for personal care attendants.

¹ See the *Fiscal Issue Brief* on the HCAF revenues and uses at:
https://www.senate.mn/departments/fiscalpol/reports/2017/HCAF_Issue_Brief_and_Spending_History_2017.pdf

PROVIDER TAX

The provider tax was enacted in 1992 to provide a revenue source for the MinnesotaCare program. Though usually referred to as a single tax, it consists of four separate taxes. Prior to the 2019 session, the tax was imposed at a rate of two percent on the gross revenue of four provider groups: medical providers, hospitals, surgical centers, and wholesale drug distributors. The revenue from the provider tax is deposited in the Health Care Access Fund (HCAF) along with revenue from the gross premium tax on health maintenance organizations and nonprofit health service plan companies, MinnesotaCare premiums, and federal revenue for MinnesotaCare.

The 2011 Omnibus Health and Human Services Act repealed the provider tax effective December 31, 2019 ([Laws 2011, First Special Session, Chapter 9](#)). The 2011 law also included a provision to reduce the tax in incremental steps prior to repeal if the revenue in the HCAF exceeded uses of the fund by more than 25 percent. However, the condition for incremental reduction has never been met and the tax remained at two percent.

Although the tax was initially enacted in 1992 to provide funding for the MinnesotaCare program, the resources required for that purpose significantly diminished after changes to MinnesotaCare were enacted in 2013 to comply with federal requirements for the Basic Health Plan (BHP) under the Affordable Care Act of 2010. MinnesotaCare expenditures peaked at \$947.5 million in FY 2010-11. Subsequently, the expansion of the medical assistance program (MA) under the Affordable Care Act and the changes to federal funding for the BHP contributed to a reduction in state funding needed for MinnesotaCare (\$542.6 million in FY 2012-13, \$521.9 million in FY 2014-15, and \$126.3 million in FY 2016-17). The February 2019 forecast projected MinnesotaCare expenditures of \$30.6 million in FY 2018-19 and \$53.3 million in FY 2020-21.

In FY 2011, the early expansion of MA established eligibility for individuals with income up to 75 percent of the federal poverty guidelines. In FY 2012-13, the HHS budget transferred \$427.2 million from the HCAF to the General Fund for the costs attributable to the early expansion. During the 2013 session, the first direct appropriation from the HCAF was made for MA. This direct appropriation was \$349.6 million in FY 2014-15 and increased to \$828.9 million in FY 2016-17. For FY 2018-19, the February 2019 forecast projected expenditures of \$824 million from the HCAF for MA, which increased to \$877.6 million for FY 2020-21.

The February 2019 forecast projected a negative balance of \$919 million in the HCAF for FY 2023, reflecting the revenue loss attributable to sunset of the provider tax and ongoing expenditures for long-standing uses of the fund. The forecast showed that HCAF revenue from the provider tax would decline from \$684.4 million in FY 2019 to \$0 beginning in FY 2021. Total HCAF revenue would decline from \$843.7 million in FY 2019 to \$182 million in FY 2023. Total uses (expenditures and transfers) from the fund declined from \$914.4 million in FY 2019 to \$685.3 million in FY 2023 due to the assumed suspension of a \$122 million per year transfer from the HCAF to the General Fund that is contingent on a positive balance in the HCAF. Table 4 shows

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how the balance in the HCAF changed in the 2019 sessions. (Appendix C displays a detailed HCAF fund balance at the end of the 2019 sessions).

[2019 First Special Session, Chapter 6](#), the Omnibus Tax Bill, repealed the sunset of the provider tax and reduced the rate of the tax from two percent to 1.8 percent. The extension of the provider tax at a lower rate produced estimated revenue in the HCAF of \$2.3 billion from FY 2020 to FY 2023 (shown in Table 4). Changes enacted in [2019 First Special Session, Chapter 9](#), the Omnibus Health and Human Services Act, increased the uses of the fund by \$1.1 billion from FY 2019 to FY 2023, including reinstating the \$122 million transfer each year to the General Fund (see Table 2A and Table 4). Collectively, the changes enacted in the 2019 sessions resulted in a projected balance in the HCAF of \$227.8 million in FY 2023.

Table 2 - Health and Human Services General Fund Appropriations Change Detail Compared to Forecast <i>(dollars in thousands)</i>						
Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Department of Human Services						
Long-Term Services and Support	22,134	54,947	77,081	63,231	30,783	94,014
Children and Families	2,429	15,273	17,702	20,041	21,128	41,169
Community Support/Mental Health	(9,444)	(1,335)	(10,779)	(4,519)	(5,684)	(10,203)
Health Care	(140,129)	(156,845)	(296,974)	(181,349)	(201,194)	(382,543)
Direct Care and Treatment	(4,746)	10,355	5,609	10,304	10,304	20,608
Central Office	12,593	13,770	26,363	(45,944)	(45,944)	(91,888)
Total-Department of Human Services	(117,163)	(63,835)	(180,998)	(138,236)	(190,607)	(328,843)
Department of Health	20,019	19,332	39,351	16,263	15,782	32,045
Emergency Medical Services						
Regulatory Board	144	206	350	173	173	346
Council on Disability	156	146	302	146	146	292
Ombudsperson for Families	247	256	503	256	256	512
Board of Pharmacy	370	-	370	-	-	-
MNSure	8,000	-	8,000	-	-	-
Total General Fund Changes	(88,227)	(43,895)	(132,122)	(121,398)	(174,250)	(295,648)

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MA Eligibility for Disabled Individuals. Chapter 9 eliminated the MA excess income standard eligibility requirement for disabled individuals (also known as the spenddown) beginning July 1, 2022. With this change, the income eligibility level for disabled individuals is 100 percent of the federal poverty guidelines. Prior to this change, to be eligible for MA, disabled individuals were required to purchase services until their income, after purchased medical services, reached 81 percent of the federal poverty guidelines. The planning estimates for MA in FY 2022-23 included \$22.3 million for this provision.

TEFRA. TEFRA refers to the federal Tax Equity and Fiscal Responsibility Act that allowed states to extend MA eligibility to some disabled children without counting their parents' income and to charge parents a fee for program participation. Chapter 9 reduced TEFRA fees by 15 percent, reducing General Fund revenue in FY 2020-21 by \$1.4 million compared to the forecast, and appropriated \$122,000 in FY 2020-21 to develop MA TEFRA enrollment materials to be available on MNsure to the families of minor children with disabilities.

Table 2A - Health and Human Services
Health Care Access Fund Changes Compared to Forecast*
(dollars in thousands)

	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Department of Human Services						
Increase HCAF Appropriation for MA	135,000	135,000	270,000	135,000	135,000	270,000
Extension of Premium Security Plan	-	115,539	115,539	72,463	-	72,463
Rate Increase for Provider Tax	10,408	24,796	35,204	41,376	35,333	76,709
Blue Ribbon Commission	510	-	510	-	-	-
Federal Compliance with Outpatient Pharmacy Rule	2,050	2,165	4,215	2,334	2,524	4,858
Modernizing Payment Methodology for Safety Net Providers	-	1,363	1,363	748	1,080	1,828
Fraud Prevention Investigations Expansion	(7)	(9)	(16)	(9)	(9)	(18)
Total-Department of Human Services	147,961	278,854	426,815	251,912	173,928	425,840
Department of Health						
Operating Adjustment	202	349	551	349	349	698
Health Access Survey	225	225	450	225	225	450
Total-Department of Health	427	574	1,001	574	574	1,148
Total General Fund Changes	148,388	279,428	427,816	252,486	174,502	426,988

*Includes only changes enacted in Chapter 9.

Continuing Care for Older Adults. Chapter 9 appropriated \$1 million in FY 2020-21 for an ongoing competitive grant program to provide operational support for customized living service providers with more than 75 percent of residents receiving services through the elderly waiver program, and increased FY 2020-21 General Fund appropriations by \$269,000 to enhance oversight of adult day care providers.

Children and Families

The DHS children and families area administers programs that provide economic assistance to low-income families and children; child care assistance; child welfare and placement services; and administrative support to counties, tribes, and social service agencies. The enacted budget increased General Fund appropriations in FY 2020-21 for DHS programs in this area by \$17.7 million compared to the February 2019 forecast.

Child Care Assistance Program. Chapter 9 appropriated \$659,000 in FY 2020-21 from the General Fund for the administrative costs of complying with federal requirements for the child care assistance program. The new requirements in Chapter 9 ensure that families do not lose access to child care benefits for technical reasons. For example, if a family moves to a different county or is transitioning from MFIP, the family would continue to receive child care assistance until the next eligibility determination. Chapter 9 expedited application processing for homeless families, and exempted homeless families from activity requirements for three months. Additionally, Chapter 9 expanded due process rights for child care providers to give them opportunities for appeals and hearings related to adverse actions such as

suspension of payments or administrative actions for licensing violations.

In 2018, Minnesota received a one-time increase of \$59.3 million in federal Child Care and Development Block Grant (CCDBG) funds to implement the federal compliance provisions enacted in the 2014 federal reauthorization of the CCDBG Act. Minnesota enacted many of the 2014 federal requirements prior to the 2018 legislative session. The new federal funding can only be used for federal requirements from the CCDBG Act that Minnesota had not yet enacted before the new federal funds were provided. The federal CCDBG is available until September 30, 2022, and Chapter 9 allocated \$7.5 million in FY 2020-21 and \$20.6 million in FY 2022-23 to the enacted changes.

Chapter 9 enacted several new program integrity policies to improve accountability for the administration of payments for the child care assistance program. These changes reduced General Fund appropriations for child care assistance by \$2.1 million in FY 2020-21 compared to the February 2019 forecast. Chapter 9 clarified that child care providers must provide attendance records immediately if the records are requested by a county or by the Commissioner of Human Services. Chapter 9 also implemented new record keeping requirements for absences and reductions in attendance and reduced retroactive eligibility for child care assistance to three months rather than six months as under the previous law. Separate from the program integrity changes, Chapter 9 appropriated an additional \$2.1 million in FY 2020-21 from the General Fund for additional staff resources for administrative oversight of the child care assistance program. Finally, Chapter 9 established a family child care task force to study and develop recommendations

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for reforms that increase the supply of child care providers and decrease the regulatory burden of providers. \$81,000 was

appropriated one-time in FY 2020-21 from the General Fund for the task force.

Table 3 - Health and Human Services Revenue Changes Compared to Forecast* <i>(dollars in thousands)</i>							
Revenue Changes by Agency	Fund	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Other Revenue							
Repeal Sunset of Provider Tax	HCAF	213,140	659,900	873,040	693,710	728,330	1,422,040
Reinstate 16A.724 Transfer from HCAF	General	-	-	-	122,000	122,000	244,000
Transfer from Opiate Epidemic Response Fund	General	-	5,439	5,439	-	-	-
Transfer from Premium Security Plan Account	General	-	142,000	142,000	-	-	-
Total Other Revenue		213,140	807,393	1,020,479	815,710	850,330	1,666,040
Department of Human Services							
Reduction of TEFRA Fees	General	(719)	(719)	(1,438)	(719)	(719)	(1,438)
Additional TEFRA Fee Revenue	General	98	200	298	205	211	416
Reform BH Financing	General	(250)	(250)	(500)	(250)	(250)	(500)
MSOP Cost of Care Collections	General	1,758	1,758	3,516	1,758	1,758	3,516
DCT Bed Capacity Cost of Care Collections	General	6,068	6,068	12,136	6,068	6,068	12,136
Transfer From State-Operated Services Account	General	13,000	-	13,000	-	-	-
County Disputes of Delayed DCT Discharges	General	(291)	(291)	(582)	(291)	(291)	(582)
Improve MA Benefit Recoveries	General	229	134	363	137	137	274
SIRS and CCAP Investigations Expansion Recoveries	General	500	500	1,000	500	500	1,000
Transfer from Long Term Care Options Account	General	3,242	-	3,242	-	-	-
Total Department of Human Services		23,635	7,400	31,035	7,408	7,414	14,822
Department of Health							
Provider Network Adequacy Reviews and Waivers	SGSR	396	413	809	413	413	826

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Revenue Changes by Agency	Fund	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Wells and Borings Regulatory Modifications	SGSR	(68)	(68)	(136)	(68)	(68)	(136)
Security Screening-Ionizing Radiation	SGSR	4	5	9	6	6	12
Safe Drinking Water Fee Increase	SGSR	2,117	4,234	6,351	4,234	4,234	8,468
Total Department of Health		2,449	4,584	7,033	4,585	4,585	9,170
Board of Dentistry							
New Emeritus Licensing Fee	SGSR	12	12	24	12	12	24
Board of Nursing Home Administrators							
Fee Increase	SGSR	41	41	82	75	75	150
Board Of Optometry							
Fee Increase	SGSR	75	75	150	75	75	150
Continuing Education Tracking Fee	SGSR	22	22	44	22	22	44
Total Board of Optometry		97	97	194	97	97	194
Board of Pharmacy							
Fee Increase	SGSR	651	651	1,302	651	651	1,302
Board of Psychology							
New Fee	SGSR	13	13	26	13	13	26
Board of Social Work							
Fee Increase	SGSR	463	471	934	470	478	948
Board of Occupational Therapy Practice							
Fee Increase	SGSR	103	114	217	103	113	216
Total Revenue Changes by Fund							
General Fund		23,635	154,839	178,474	129,408	129,414	258,822
Health Care Access Fund		213,140	659,900	873,040	693,710	728,330	1,422,040
State Government Special Revenue (SGSR)		3,829	5,983	9,812	6,006	6,024	12,030
Total Revenue Changes for Budget Area		240,604	820,722	1,061,326	829,124	863,768	1,692,892

*FY 2019 General Fund transfer to HCAF, repealed in Chapter 9, reduced HCAF revenue by \$50 million.

Child Welfare Training Academy. Chapter 9 appropriated \$4.2 million in FY 2020-21 from the General Fund to establish a new, regionally-based, child welfare training academy. The training academy must use modern training methods and provide certification to workers who complete a competency-based test and a skill demonstration. Child welfare workers are required to complete ongoing training annually. The appropriation also funded a child welfare caseload study to produce guidelines relating to caseload size for child protection workers.

American Indian Child Welfare Initiative. Chapter 9 appropriated \$15.4 million from the General Fund in FY 2020-21 to expand the American Indian Child Welfare Initiative, which previously provided funding only to the Leech Lake Band of Ojibwe and the White Earth Band of Ojibwe. Chapter 9 increased the amount of funding for the Leech Lake Band of Ojibwe and the White Earth Band of Ojibwe and expanded funding eligibility to include the Mille Lacs Band of Ojibwe and the Red Lake Nation. The appropriation also established an American Indian family early intervention program modeled after the parent support outreach program. This new program provides culturally specific early intervention, outreach, and support services to American Indian families to prevent maltreatment of children and to reduce the number of American Indian children entering the child welfare system.

Family First Prevention Services Act Compliance. Chapter 9 appropriated \$1.9 million from the General Fund in FY 2020-21 to implement federal requirements of the Family First Prevention Services Act. Although some final federal regulations for

this law have been issued, others are still in process and have not yet been established.

Chapter 9 also complied with the Family First requirements for the state to provide individuals who received foster care services as children with documentation that foster care services were provided once they reach the age limitation for continued foster care eligibility. In certain cases, former foster care children require this documentation to establish their eligibility for other services as adults.

Chapter 9 also enacted changes to ensure compliance with Family First regulations that have future effective dates, but that require substantial time for planning and implementation. These regulations include development of exception criteria to the new federal limit on payment for child welfare placements in group homes with more than six children, development of guidelines for evidence-based child welfare policies (including culturally appropriate services for American Indian and African American families) that will be eligible for federal funding, development of regulatory requirements for residential child welfare facilities, and a statewide program to help families find and access child welfare services.

Significant federal funding for child welfare services is available to states under the Family First Act if states develop service standards and regulatory requirements that are approved by the federal government. The funding appropriated in Chapter 9 ensured that Minnesota can maximize the new federal funding in the Family First Act. Chapter 9 also minimized the possibility that Minnesota will lose federal funding due to residential child welfare service standards not meeting the requirements of the Family First Act.

Minnesota Family Investment Program. Chapter 9 increased the cash assistance portion of benefits under the Minnesota Family Investment Program (MFIP) by \$100 per month. To finance this proposal, Chapter 6 repealed a transfer from the TANF Fund to the General Fund. This repeal made \$48.8 million available in the TANF Fund in FY 2020-21 and \$50 million in FY 2022-23. Chapter 9 appropriated \$42.7 million in FY 2020-21 from the TANF Fund for the increased MFIP benefit. The ongoing cost of this proposal is greater than the amount of funding projected in the TANF Fund. The planning estimates for FY 2022-23 included \$53.6 million from the TANF Fund and \$7.9 million from the General Fund for the increased MFIP benefit.

Community Support/Mental Health

The DHS community support/mental health area manages delivery systems for mental health services, substance use disorder services, housing assistance, services for people with disabilities, and services for people who are deaf. The enacted budget reduced appropriations in FY 2020-21 for programs in the community support/mental health area of DHS by \$10.8 million compared to the February 2019 forecast. The reduction was primarily due to a one-time transfer from the Consolidated Chemical Dependency Treatment Fund (CCDTF) to the General Fund and a requirement in Chapter 9 to submit a federal Section 1115 waiver relating to substance use disorder services, which, once approved, will reduce spending on substance use disorder services. States may apply to the U.S. Department of Health and Human Services for Section 1115 waivers to implement programs that the state expects to improve outcomes or reduce the state share of spending in a variety of federal programs. The application typically includes

actuarial evidence to demonstrate that the proposal would not increase federal spending.

Certified Community Behavioral Health Clinics. Chapter 9 established MA services provided by a Certified Community Behavioral Health Clinic (CCBHC), which were previously covered under a federal demonstration program. With a \$4.7 million General Fund appropriation in FY 2020-21 and an \$18.2 million planning estimate for FY 2022-23, the six CCBHC sites under the federal demonstration program will continue and five additional providers will be added over four years. The CCBHC model provides community-based coordinated care for mental health and substance use disorder services.

Children's Residential Mental Health Facilities. Chapter 9 appropriated \$7.9 million in FY 2020-21, with a planning estimate of \$18.2 million in FY 2022-23, for children's residential mental health facilities. This appropriation provides ongoing state funding for facilities determined under federal regulations to be "institutions for mental disease (IMDs)" and ineligible for federal funding because they have 16 or more beds. The appropriation also provided for an increase to the 150-bed cap on children's psychiatric residential treatment facility (PRTF) beds to 300 beds and removed the previous limit of six PRTF facilities. The PRTF facilities are not subject to the IMD limitations under federal regulations. In addition, Chapter 12 separately appropriated \$368,000 in FY 2018-19 from the General Fund for children's residential mental health facilities. This appropriation was one-time.

Funding Reform for Behavioral Health Services. Chapter 9 reformed the funding system for behavioral health services. These reforms eliminated the Consolidated

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Chemical Dependency Treatment Fund (CCDTF) and made a one-time transfer of \$23.9 million from the CCDTF to the General Fund in FY 2020-21.

This transfer to the General Fund offset increased appropriations for other behavioral health services financing changes. These changes eliminated the 22.95 percent county share for substance use disorder services received in MA and aligned the county share for room and board in housing support with the rates for room and board for residential substance use disorder services and residential mental health treatment. In addition, Chapter 9 established presumptive eligibility for housing support for individuals leaving residential behavioral health services. In FY 2020-21, these changes increased General Fund appropriations by \$5.8 million.

Mental Health Services for Youth in Homeless Shelters. Chapter 9 appropriated \$250,000 each fiscal year beginning in FY 2020 for a new grant program to provide mental health services to youth in homeless shelters. Chapter 9 also increased the appropriation for school-linked mental health grants by \$1.2 million in FY 2020-21 and the planning estimates by \$9.6 million in FY 2022-23. Chapter 9 appropriated an additional \$2.5 million for mobile crisis services grants in FY 2020-21, with planning estimates of \$9.8 million in FY 2022-23.

Section 1115 Waiver. Chapter 9 required DHS to submit a Section 1115 waiver request for substance use disorder services. The waiver request seeks to obtain federal matching funds for residential substance use disorder services in IMDs, which are otherwise not eligible for federal funding. With the assumed approval of this waiver request, Chapter 9 reduced General Fund appropriations by \$16.1 million in FY 2020-

21 and by \$73.3 million in FY 2022-23. A portion of the savings attributable to the approved waiver were used in Chapter 9 to increase rates for substance use disorder services under MA and to administer the waiver requirements.

Health Care

The DHS health care area administers the MA and MinnesotaCare programs. MA is Minnesota's Medicaid program that provides health coverage for low income children and families, seniors, people with disabilities, and adults without children. The MinnesotaCare program provides health coverage for individuals with incomes between 138 percent and 200 percent of the federal poverty guidelines. Chapter 9 reduced General Fund appropriations for health care programs by \$297 million in FY 2020-21 and reduced the planning estimates for FY 2022-23 by \$382.5 million. Most of the reduction in the General Fund appropriation was attributable to an increased HCAF appropriation of \$270 million each biennium for a portion of the MA program that would otherwise have been funded by a General Fund appropriation.

Medical Assistance Appropriation. Chapter 9 increased the HCAF appropriation for health care programs by \$426.8 million in FY 2020-21, which included \$270 million for MA that corresponded to a reduction in the General Fund appropriation. In addition, the enacted budget reduced the forecast assumption for managed care rates for the 2020 rate year by 0.8 percent, which reduced the General Fund appropriation for MA by \$29.5 million in FY 2020-21 and by \$115.6 million in FY 2022-23. Chapter 9 also enacted a \$145.2 million contingent transfer to the General Fund from the premium security plan account, which will occur in FY 2020 if the negotiated

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Table 4 - Health and Human Services
Health Care Access Fund Balance and 2019 Enacted Changes
(dollars in thousands)

	FY 2020	FY 2021	FY 2022	FY 2023
February 2019 Forecast Balance (Adjusted)	552,218	61,213	(416,149)	(918,959)
<u>Revenue</u>				
Extension of Provider Tax	213,140	659,900	693,710	728,330
<u>Appropriations and Transfers</u>				
Additional MA Funding	135,000	135,000	135,000	135,000
Extension of Premium Security Plan	-	115,539	72,463	-
Restoration of 16A.724 Transfer to GF	-	-	122,000	122,000
All Other Appropriations	13,260	28,761	44,895	39,374
End of 2019 Session Balance	617,098	506,693	348,683	277,829

managed care rates for plan year 2020 do not reflect a 0.8 percent reduction from the rates assumed in the February 2019 forecast.

Minnesota Premium Security Plan. Chapter 9 extended the Minnesota premium security plan for two additional plan years. Also known as reinsurance, this program was enacted in the 2017 session to help stabilize premiums in the individual health insurance market (see page 78 of the [2017 Fiscal Review](#)). [Laws 2017, Chapter 13](#), appropriated \$542.9 million in FY 2018-19 (\$400.8 million from the HCAF and \$142 million from the General Fund) for the reinsurance program, and Minnesota received federal funding of \$130.7 million for plan year 2018 and \$84.8 million for plan year 2019. The February 2019 forecast projected a \$535.6 million balance in the premium security plan account at the end of FY 2021. This balance provided sufficient funding to add plan years 2020 and 2021 to the program in Chapter 9. Additional reinsurance payments of \$168.9 million in FY 2022 and \$185.7 million in FY 2023 are required under the enacted extension to provide resources for

plan years 2020 and 2021 (see Table 5 for more information). In addition, because federal funding for MinnesotaCare is based on premiums in the individual market and the reinsurance program would mitigate premium increases in plan years 2020 and 2021, Chapter 9 appropriated \$115.5 million in FY 2020-21 from the HCAF for MinnesotaCare expenditures that otherwise would have been covered by federal revenue.

Program Integrity in Medical Assistance. Chapter 9 implemented a corrective action plan to eliminate duplicate personal identification numbers that may result in overpayments to managed care plans for MA coverage. The corrective action plan reduced General Fund appropriations for MA by \$2.8 million for FY 2020-21. Also, Chapter 9 established new program integrity requirements for nonemergency medical transportation (NEMT). The new provisions require DHS to register individual NEMT drivers to ensure that each driver meets the program requirements. In addition, Chapter 9 authorized DHS to conduct ongoing program supporting documentation that NEMT drivers

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Table 5 - Health and Human Services Premium Security Plan Account Balance and 2019 Enacted Changes <i>(dollars in thousands)</i>				
	FY 2020	FY 2021	FY 2022	FY 2023
February 2019 Forecast Balance	594,323	535,588	535,588	535,588
<u>Revenue</u>				
Additional Federal Payments	-	-	84,758	84,758
<u>Appropriations and Transfers</u>				
Additional Reinsurance Payments	-	-	168,885	185,685
Transfer to General Fund	-	142,000	-	-
End of 2019 Session Balance	594,323	393,588	309,461	208,534
<i>Contingent Transfer to General Fund</i>	<i>145,150</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Balance After Contingent Transfer</i>	<i>449,173</i>	<i>248,438</i>	<i>164,311</i>	<i>63,384</i>

are required to maintain. The savings attributable to the NEMT program integrity requirements reduced the General Fund appropriation for MA by \$904,000 in FY 2020-21.

Durable Medicaid Equipment Providers. Chapter 9 revised the payment methodology for durable medical equipment (DME) providers and reduced the General Fund MA appropriation by \$2 million in FY 2020-21. Under the revised DME payment methodology, the state will pay rates that are consistent with Medicare rates, which meets a federal requirement. Previously, for DME products that had an MA rate higher than the Medicare rate, the state would recover from providers the difference between the state's payment rate and the Medicare rate. Chapter 9 also repealed required volume purchasing of incontinence products. This provision had not been implemented but the savings attributable to it remained in the forecast, so the repeal in Chapter 9 increased the MA appropriation by \$4.4 million for FY 2020-21.

MA and MinnesotaCare Provider Rate Increase. Chapter 9 extended a rate increase related to the provider tax because the sunset of the provider tax was repealed in Chapter 6. This provision adds an amount equal to the rate of the provider tax to payments in MA and MinnesotaCare. Chapter 9 appropriated the entire amount (the amount for MA and the amount for MinnesotaCare) attributable to this rate increase from the HCAF. Previously, the amount attributable to MA payments was a General Fund appropriation. Chapter 9 appropriated \$35.2 million for FY 2020-21 for the rate increase, which included \$34.8 million for payments under MA and \$358,000 for MinnesotaCare payments. The related FY 2022-23 planning estimates for this rate increase are \$76.7 million, which include \$57.8 million for MA and \$18.9 million for MinnesotaCare.

Doula Services. The enacted budget increased rates for doula services in MA and increased the General Fund appropriation by \$64,000 for FY 2020-21 to provide funding for the higher rates.

Pediatric Autoimmune Neuropsychiatric Disorders. Chapter 9 added an insurance coverage mandate for pediatric autoimmune neuropsychiatric disorders that applies to both private health insurance plans and MA. The MA appropriation from the General Fund increased by \$158,000 in FY 2020-21, compared to the forecast, for coverage of this condition. Chapter 9 appropriated the amount attributable to this mandate for private health plan companies to the Department of Commerce. (See page 112 in Chapter 8 for additional discussion.)

Outpatient Pharmacy Services. Chapter 9 revised the payment methodology for outpatient pharmacy services to comply with federal requirements. The changes established payment rates for drugs based on nationally recognized benchmarks and added an amount equal to the amount of the provider tax to the acquisition cost of the drug.

In addition, Chapter 9 increased the dispensing fee for pharmacy providers and established a cost-based payment methodology for 340B providers to meet federal requirements. It also included a supplemental payment to 340B providers that are hospitals to mitigate the effect of the revised payment methodology. A 340B provider is a designation under a federal program that requires prescription drug manufacturers to provide discounted prescription drugs to entities that serve vulnerable patient populations. Eligible hospital entities include disproportional share hospitals, some children's and cancer hospitals, some public hospitals, and critical access hospitals. Eligible non-hospital entities include Federally Qualified Health Centers (FQHC), AIDS clinics, black lung clinics, tuberculosis clinics, hemophilia treatment centers, some family planning clinics, Urban

Indian clinics, and Native Hawaiian health centers.

Chapter 9 increased the MA appropriation by \$7.2 million in FY 2020-21 for the changes to the outpatient pharmacy payment methodology, with \$3 million from the General Fund and \$4.2 million from the HCAF.

Safety Net Providers. Chapter 9 established an updated cost-based payment methodology for safety net providers. Safety net providers include FQHCs and rural health clinics (RHC). The updated payment methodology better reflects the current costs experienced by FQHC and RHC providers and provides more transparency in determining rates. Also, Chapter 9 revised safety net provider rates in MinnesotaCare to align with federal requirements for the Basic Health Plan. The HCAF appropriation for these changes increased by \$1.4 million in FY 2020-21.

Direct Care and Treatment

The direct care and treatment (DCT) area of DHS operates the state's secure treatment facilities and provides behavioral health services to civilly committed individuals and people who cannot receive the services in other settings. DCT also operates community-based residential services for individuals with mental illness or developmental disabilities and people with complex behavioral health needs who cannot receive services in other settings. Additionally, DCT operates the state's sex offender program with facilities in St. Peter and Moose Lake. Chapter 9 increased General Fund appropriations in FY 2020-21 for DCT programs by \$18.6 million compared to the February 2019 forecast. The increased appropriations in FY 2020-21 were offset by a one-time \$13 million transfer from

the Special Revenue Fund to the General Fund.

Minnesota Sex Offender Program. Chapter 9 appropriated \$19.5 million from the General Fund in FY 2020-21 for the Minnesota Sex Offender Program (MSOP). This increase is for costs associated with court-ordered requirements, compliance, and increased spending for community preparation services and reintegration services resulting from more people moving through treatment toward provisional release. The additional funding was offset by increased cost of care collections from counties of \$3.5 million in FY 2020-21. Chapter 9 also modified the county share requirements to apply to individuals who are provisionally discharged from MSOP to the community.

Increased Bed Capacity in DCT Specialty Health Services. Chapter 9 appropriated \$2.8 million from the General Fund in FY 2020-21 to fully staff Minnesota's four intensive residential treatment services (IRTS) facilities. An IRTS facility provides time-limited residential services to clients who need a setting that is more restrictive than being in the community and less restrictive than a secure treatment facility. The services in an IRTS facility develop and enhance psychiatric stability, personal and emotional adjustment, self-sufficiency, and skills needed to live in an independent setting.

In addition, Chapter 9 enacted changes related to IRTS facilities. Under these changes, Chapter 9 appropriated from the General Fund in FY 2020-21 \$5.4 million for IRTS facilities and \$500,000 for a program that provides funding to help individuals move out of IRTS facilities. This program was previously funded with statutory appropriations from the Special Revenue Fund. Also, beginning in FY 2020-21,

Chapter 9 required that cost of care collections attributable to services provided in IRTS facilities paid by counties be deposited in the General Fund, resulting in \$12.1 million of additional General Fund revenue. Previously, these funds were deposited to the Special Revenue Fund and were statutorily appropriated for the operation of the IRTS facilities. Finally, Chapter 9 transferred a \$13 million accumulated balance in FY 2020-21 from the state-operated services account in the Special Revenue Fund to the General Fund.

Competency Restoration Task Force. Chapter 9 established a competency restoration task force to develop recommendations regarding competency restoration services, which currently are not formally the responsibility of any state agency or branch of local government, law enforcement, or the courts. Competency restoration services are provided to civilly committed individuals to ensure that they are capable of participating in their legal proceedings. Chapter 9 increased the General Fund appropriation by \$136,000 in FY 2020-21 for administration of the task force.

Hearings for Disputed County Changes. Chapter 9 enacted a new provision that allows agency hearings for county disputes of charges for delayed discharges from DCT facilities. This would result in some counties not paying the disputed charges and reduce General Fund revenue in FY 2020-21 by \$582,000.

Central Office

The DHS central office area manages centralized services within the agency, including human resources, financial management, legal services, technology planning, and facilities management. For

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projects and activities administered by the DHS central office, the enacted budget increased General Fund appropriations in FY 2020-21 by \$26.4 million. For FY 2022-23, the General Fund planning estimates are reduced by \$91.9 million from the forecast, mostly reflecting a reduction in projected General Fund spending attributable to the recommendations of a special commission that will review all HHS spending.

Blue Ribbon Commission on Health and Human Services. Chapter 9 established a blue-ribbon commission on HHS and attributed reduced General Fund planning estimates for FY 2022-23 of \$100 million to the recommendations that will be developed by the commission. The commission is mandated to examine the HHS service delivery system to identify potential efficiencies and duplication of effort that, if implemented or eliminated, could reduce future expenditures in the HHS budget area. The commission must review evidence-based strategies that could reduce HHS spending, particularly for MA. Also, the commission is required to examine opportunities to reduce fraud and improve program integrity. If changes recommended by the commission that reduce appropriations in FY 2022-23 by \$100 million are not enacted in the 2021 legislative session, then up to \$100 million will be transferred from the budget reserve to the General Fund. The amount transferred will be the difference between \$100 million and the amount attributable to the enacted changes recommended by the commission.

Service Delivery Transformation Initiative. The enacted budget appropriated \$20 million from the General Fund in FY 2020-21 for a DHS service delivery transformation initiative. Under this technology systems initiative, DHS is required to work with stakeholders to develop a framework for a

human services delivery system that is simpler to access, easier to administer, and better at achieving the goals of the program that the technology systems support. Of the appropriation, \$8.8 million was for this initiative. The remaining \$11.2 million was for system improvements to comply with federal and state regulations and to reduce the administrative effort needed by counties and other entities that rely on DHS technology systems.

Fraud Prevention Investigations. Chapter 9 appropriated additional funding for county grants for fraud prevention investigation. The FY 2020-21 General Fund appropriation of \$850,000 for grants and \$225,000 for administration was offset by \$1.3 million in reduced General Fund appropriations in other DHS programs, including \$490,000 for MA, \$205,000 for housing support and \$275,000 for the MFIP and diversionary work programs.

DEPARTMENT OF HEALTH

The enacted budget increased General Fund appropriations for the Department of Health (MDH) in FY 2020-21 by \$39.4 million, compared to the February 2019 forecast. Chapter 9 also increased SGSR appropriations by \$13.1 million and HCAF appropriations by \$1 million, compared to the forecast. Chapter 60 increased MDH appropriations by \$21.3 million in FY 2020-21, with \$19.1 million from the General Fund and \$2.2 million from the SGSR. Chapter 63 appropriated one-time funding of \$1.3 million in FY 2020-21 from the Opiate Epidemic Response Fund.

Suicide Prevention. Chapter 9 enacted a comprehensive suicide prevention program and appropriated \$5.5 million from the General Fund for it in FY 2020-21. Under the

program, communities that experience higher rates of suicide will receive grants to implement evidence-based practices to reduce the incidence of suicide. Chapter 9 also allocated a portion of this appropriation to training in schools to decrease suicide risk among students. The appropriation supplements federal funding to implement the “zero suicide” model in some behavioral health care organizations, which provide follow-up care for individuals who are discharged from behavioral health facilities. Finally, Chapter 9 implemented a Minnesota-based national suicide prevention lifeline to ensure timely response to calls. Previously, calls made by Minnesota residents may have been answered by a call center in another state with longer wait times.

Tobacco Cessation. Chapter 9 appropriated \$4.3 million from the General Fund in FY 2020-21 to implement a statewide tobacco cessation quitline and a tobacco cessation program that assumes the responsibilities previously performed by ClearWay Minnesota. ClearWay Minnesota’s work was previously funded with money from the 1998 tobacco settlement, which ends in FY 2020. The new program includes a 24-hour per day call center and online counseling to help individuals who want to quit using tobacco. The program also distributes free nicotine replacement therapies and provides support and counseling to individuals through texts and email.

Public Health Lab Equipment and Grant Programs. Chapter 9 appropriated \$1.5 million of one-time funding from the General Fund for new and replacement equipment in the MDH public health lab. Chapter 9 also appropriated funding for one-time grants in FY 2020-21, including \$750,000 for domestic violence prevention and \$200,000 for a public education campaign to raise awareness

about the dangers related to skin lightening creams. Chapter 9 established ongoing grant funding of \$1 million in each fiscal year for a grant program for community solutions for healthy child development. This program provides grants to increase community capacity to promote child and family well-being and reduce disparities related to the social determinants of healthy child development.

Regulatory Activities. Chapter 9 appropriated \$1.7 million in FY 2020-21 from the SGSR for the administration of the medical cannabis program. Of this amount, \$1.5 million was for ongoing operations and \$241,000 was to implement modifications to the medical cannabis regulations, including changes to the use of hemp, revising the requirements to be a designated caregiver, and increasing the number of distribution facilities. Chapter 9 modified regulations for wells and borings and eliminated fees for certain borings, resulting in a \$136,000 revenue loss in the SGSR in FY 2020-21. Also, Chapter 9 established a new \$100 license fee for security screening systems used by local law enforcement agencies and correctional facilities that use ionizing radiation equipment for security screening. Chapter 9 appropriated \$144,000 in FY 2020-21 for the new licensing activities from the SGSR, with associated fee revenue of \$9,000.

HEALTH-RELATED LICENSING BOARDS

In FY 2020-21, Chapter 9 increased SGSR appropriations for the Health-Related Licensing Boards by \$6.3 million compared to the February 2019 forecast. The appropriations largely funded operating adjustments, additional staffing, and technology enhancements. Chapter 63 appropriated \$370,000 one-time from the

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General Fund in FY 2020-21 to the Board of Pharmacy for administrative costs related to the enacted opiate product registration fee.

Chapter 9 increased fees for some boards, resulting in SGSR revenue increases in FY 2020-21. These were the Board of Dentistry (\$24,000), the Board of Nursing Home Administrators (\$82,000), the Board of Optometry (\$150,000), the Board of Pharmacy (\$1.3 million), the Board of Social Work (\$28,000), and the Board of Occupational Therapy Practice (\$217,000).

OTHER AGENCIES

Chapter 9 appropriated additional General Fund amounts in FY 2020-21 for the other

agencies in the HHS budget, including \$350,000 for the Emergency Medical Services Regulatory Board for an operating adjustment and additional staffing, \$302,000 for the Council on Disability for an operating adjustment and technology enhancements, and \$503,000 for the Ombudsperson for Families for additional staffing.

Finally, Chapter 9 appropriated \$8 million one-time in FY 2020-21 to MNsure to support ongoing operations because the extension of the reinsurance program reduced MNsure revenue from the premium withhold that provides operational funding for the health insurance exchange.

ASSISTED LIVING LICENSURE AND HOME CARE REFORM

[Chapter 60](#) enacted new licensure requirements for assisted living facilities and established rights and consumer protections for their residents. Assisted living facilities are defined as those facilities that provide sleeping accommodations and assisted living services to one or more adults, and include facilities that offer specialized dementia care.

Effective in FY 2022, assisted living facilities may not operate without a license issued by the Department of Health (MDH). Applications for licensure, license renewal, or filing a change of facility ownership must be accompanied by the appropriate fee, as established in Chapter 60:

- for assisted living facilities, \$2,000 plus \$75 for each resident; and
- for assisted living facilities with dementia care, \$3,000 plus \$100 per resident.

The fee revenue will be deposited into the State Government Special Revenue Fund (SGSR), and is projected to total \$16.5 million in FY 2022-23.

Chapter 60 also authorized the Commissioner of Health to increase the fees for license renewal by up to ten percent if the percentage of residents in the facility who receive home and community-based services funded by medical assistance is less than 50 percent of capacity. Similarly, the commissioner may lower the fees for a facility by up to ten percent if this percentage of residents is greater than 50 percent of capacity.

Facilities will be assessed a penalty of \$200 for license renewal applications that are submitted less than 30 days before license expiration or after the license expires, and a penalty of \$250 per day for continuing to operate after license expiration. Fine revenue will be deposited in a dedicated account in the Special Revenue Fund for implementing recommendations of the home care and assisted living program advisory council.

Consumer Protections and Electronic Monitoring

Existing law provides residents of nursing homes with certain rights and protections, and Chapter 60 enacted similar protections for residents of assisted living facilities. The enacted law specified minimum requirements that a licensed facility must meet regarding residents' welfare, health, and privacy, including the requirement to distribute to residents the assisted living bill of rights created in Chapter 60.

Chapter 60 authorized the use of electronic monitoring in assisted living facilities, as well as in nursing homes and boarding care homes. Beginning January 1, 2020, a resident of such a facility, or a resident representative (such as a court-appointed guardian), may place an electronic monitoring device in a private living unit, provided that the resident and any roommates consent in writing to the monitoring. The resident must notify the facility of the monitoring in advance, unless

the resident fears retaliation from the facility, has submitted a grievance to the facility that has not been addressed, or the resident has submitted a maltreatment report. In these instances, the resident may conduct electronic monitoring for up to 14 days without notification to the facility. Facilities are prohibited from retaliating or discriminating against residents for conducting electronic monitoring, and may not tamper or interfere with any monitoring device. The Commissioner of Health may issue correction orders and impose fines of up to \$500 for facility violations of electronic monitoring regulations.

Chapter 60 also prohibited facility retaliation against residents of nursing homes and assisted living facilities for exercising their defined rights. The enacted law provided examples of potential retaliatory actions, including contract termination, restriction of access, withholding of food or services, or arbitrary fee increases. A resident may request that the Commissioner of Health determine whether the facility retaliated against the resident.

Appropriations

While the majority of the regulatory and licensure changes in Chapter 60 are effective in FY 2022, the enacted law also established a transitional regulatory process for protection of vulnerable adults in residential facilities for FY 2020-21. Total appropriations to MDH and the Department of Human Services (DHS) for FY 2020-21 for this purpose were \$33.6 million from the General Fund, \$2.2 million from the SGSR, and \$3.9 million from the Special Revenue Fund.

Department of Health

Chapter 60 appropriated \$19.1 million from the General Fund to MDH in FY 2020-21. Of this amount, \$11.7 million was for improvements and implementation of regulatory activities relating to vulnerable adults, and \$7.3 million was a one-time appropriation to establish the assisted living licensure system.

MDH also received an appropriation of \$2.2 million in FY 2020-21 from the SGSR to improve the frequency of home care provider inspections and to implement the assisted living licensure system. The planning estimate for this purpose from the SGSR in FY 2022-23 is \$16.5 million, which is supported by revenue from the new assisted living facility license fees.

For FY 2020-21, Chapter 60 created a temporary dedicated account in the Special Revenue Fund, which for two years will receive revenue from fines imposed by MDH on home care providers for resident maltreatment violations. The fine for such violations is \$1,000, or \$5,000 if the maltreatment involved sexual assault, serious injury, or death. The funds in this account are for compensation to individuals who were subject to maltreatment, provided that the individuals waive civil claims against the provider. This account will expire on July 31, 2021.

Under previous law, fine revenue from violations found in home care provider inspections was deposited in the SGSR and set aside to fund improvements recommended by the home care and assisted living program advisory council. Effective in FY 2020, Chapter 60 redirected this revenue

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to a new dedicated account in the Special Revenue Fund to be directly appropriated to MDH for the same purpose. In addition, the enacted law transferred \$632,000 in previously set-aside fine revenue from the SGSR to the new account. Beginning in FY 2022, fine revenue from maltreatment violations will be deposited in this account.

Department of Human Services

Chapter 60 appropriated \$14.5 million from the General Fund to DHS in FY 2020-21. Of this amount:

- \$3.5 million was for additional staff and support activities for the ombudsman for long-term care (with planning estimates of \$5 million in FY 2022-23);
- \$2.1 million was for implementation costs of round-the-clock operation of the Minnesota Adult Abuse Reporting Center (with planning estimates of \$944,000 in FY 2022-23);
- \$2.5 million was for grants to counties and tribes to support ongoing administration of adult protection programs (with planning estimates of \$4.7 million in FY 2022-23);
- \$5.4 million was for development and administration of assisted living facility resident and family experience surveys (with planning estimates of \$5.2 million in FY 2022-23); and
- \$1.1 million was a one-time appropriation for improvements to current regulatory activities related to vulnerable adults.

**Table 6 - Chapter 60, Assisted Living
Appropriations and Revenue by Agency and Fund**
(dollars in thousands)

	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
<u>APPROPRIATIONS</u>						
<u>General Fund</u>						
Department of Health (MDH)						
Assisted Living Licensure Startup	2,218	5,114	7,332	-	-	-
Current Regulatory Capacity	3,013	3,013	6,026	3,013	3,013	6,026
Case Management System	2,220	-	2,220	1,600	1,169	2,769
Common Entry Point/MAARC	175	75	250	30	30	60
Reporting Website	1,077	504	1,581	447	447	894
Data Analysis and Reporting	744	501	1,245	501	501	1,002
Communications and Engagement	209	209	418	209	209	418
MDH, Total General Fund	9,656	9,416	19,072	5,800	5,369	11,169

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	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Department of Human Services (DHS)						
Ombudsman Staffing	1,456	2,023	3,479	2,512	2,512	5,024
MAARC	1,456	635	2,091	472	472	944
Grants for Counties and Tribes	1,000	1,500	2,500	2,050	2,655	4,705
Resident and Family Surveys	2,682	2,702	5,384	2,593	2,593	5,186
Current Regulatory Capacity	1,093	-	1,093	218	218	436
DHS, Total General Fund	7,687	6,860	14,547	7,845	8,450	16,295
Total General Fund Appropriations	17,343	16,276	33,619	13,645	13,819	27,464
<u>State Government Special Revenue Fund (SGSR)</u>						
Department of Health						
Assisted Living Licensure Expenditures	1,103	1,103	2,206	8,131	8,339	16,470
MDH, Total SGSR	1,103	1,103	2,206	8,131	8,339	16,470
<u>Special Revenue Fund (SRF)</u>						
Department of Health						
Assessment Fines Transfer from SGSR	632	-	632	-	-	-
Fines-Immediate Enforcement	1,629	1,629	3,258	-	-	-
MDH, Total SRF	2,261	1,629	3,890	-	-	-
<u>REVENUE</u>						
<u>State Government Special Revenue Fund (SGSR)</u>						
Department of Health						
Assisted Living Licensure Fee Revenue	-	-	-	8,352	8,352	16,704
Transfer Account Balance to SRF	(632)	-	(632)	-	-	-
MDH, Total SGSR	(632)	-	(632)	8,352	8,352	16,704
<u>Special Revenue Fund (SRF)</u>						
Department of Health						
Assessment Fines Transfer from SGSR	632	-	632	-	-	-
Fines-Immediate Enforcement	1,629	1,629	3,258	-	-	-
MDH, Total SRF	2,261	1,629	3,890	-	-	-
<u>SUMMARY</u>						
Total Appropriations	20,707	19,008	39,715	21,776	22,158	43,934
Total Revenue	1,629	1,629	3,258	8,352	8,352	16,704

OPIATE EPIDEMIC RESPONSE

[Chapter 63](#) established a comprehensive state response to the opiate epidemic. The enacted budget appropriated a total of \$41.8 million in FY 2020-21 for state agency initiatives and grants to community agencies and organizations to address the opiate epidemic.

Chapter 63 increased annual licensing fees for opiate manufacturers by \$55,000 and for all non-opiate drug wholesalers and manufacturers by \$5,000. The enacted budget also established a new opiate product registration fee, which is imposed on all drug manufacturers and wholesalers that annually produce or distribute two million or more units of opiates in Minnesota. Manufacturers and wholesalers that exceed this threshold must pay a \$250,000 annual registration fee. Fees enacted in Chapter 63 are projected to raise \$42 million in FY 2020-21, which will be deposited into the Opiate Epidemic Response Fund.¹

Chapter 63 also created the Opiate Epidemic Response Advisory Council. The council will consist of 19 voting members, including the Commissioners of Human Services, Health, and Corrections; members of the House of Representatives and the Senate; physicians; pharmacists; medical professionals; and advocates. The council will develop and implement a statewide effort to address the opiate addiction and overdose epidemic in Minnesota by awarding grants for prevention education, training for medical professionals on treatment of opiate addiction, and the expansion and enhancement of a continuum of care for opiate-related substance use disorders.

Beginning in FY 2020-21, funds in the Opiate Epidemic Response Fund shall be used for the following:

- \$16.3 million appropriation to counties and tribal agencies for child protection services;
- \$16.3 million appropriation to the Opiate Epidemic Response Advisory Council to be awarded as grants to proposals selected by the council; and
- \$3 million one-time appropriation in FY 2020 to the Department of Health for statewide mapping and assessment of community-based nonnarcotic pain management and wellness resources and demonstration projects related to community-based nonnarcotic pain management and wellness.

¹ While Chapter 63 established the opiate epidemic response *account* in the Special Revenue Fund, the Commissioner of Management and Budget has determined that depositing the revenue generated from Chapter 63 in a separate *fund* rather than an account improves the management and reporting of the funds. In accordance with [Minnesota Statutes, section 16A.53](#), the commissioner established the Opiate Epidemic Response Fund and the revenue from Chapter 63 will be deposited in this fund. This report will use the term *fund*.

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Additionally, Chapter 63 appropriated funds from the Opiate Epidemic Response Fund to support several specific annual grants beginning in FY 2020. These grants included:

- \$2 million each year for five years to the Department of Human Services for grants to tribal nations and five urban American Indian communities to provide traditional healing practices to American Indian communities and to increase the capacity of the behavioral health workforce to provide culturally-specific services to the American Indian community;
- \$400,000 divided between Hennepin Healthcare and CHI St. Gabriel's Health Family Medical Center to continue their opioid-focused extension for community healthcare outcomes (ECHO) programs; and
- \$100,000 to a nonprofit organization for overdose prevention, community asset mapping, education, and overdose antagonist distribution.

Funds distributed for child protection services must be distributed to county and tribal social service agencies based on out-of-home placement cases where parental drug abuse is the primary reason for out-of-home placement. Agencies receiving funding from the Opiate Epidemic Response Fund must annually report to the Commissioner of Human Services regarding how the funds were used to provide child protection services, including the measurable outcomes.

In addition, the Results First Initiative within the Department of Management and Budget (MMB) received \$300,000 per year, beginning in FY 2020, for evaluation activities. The council is encouraged to award grants to theory-based or promising practices, which will be eligible for formal evaluation using experimental design to determine whether program results constitute sufficient evidence-based outcomes to help the council allocate grant funds in the future.

Finally, if the state receives a total sum of \$250 million as a result of a settlement or litigation against one or more opiate manufacturers, or from the increased licensure and registration fees, the license fees on opiate manufacturers will be reduced and the registration fee will be repealed. Regardless of the sum received, the licensure or registration will not be reduced or repealed before July 1, 2024. If the fees are reduced or repealed due to money received from a settlement or litigation, the Commissioner of MMB is required to transfer to the Opiate Epidemic Response Fund an amount that ensures \$20.9 million is available for distribution each year.

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Table 7 - Chapter 63, Opiate Epidemic Response
Appropriations and Revenue Summary
(dollars in thousands)

	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Revenue	20,940	20,940	41,880	20,940	20,940	41,880
Appropriations						
Department of Human Services						
Traditional Health Practices Grants*	2,000	2,000	4,000	2,000	2,000	4,000
Grants for ECHO Projects*	400	400	800	400	400	800
Opioid Overdose Prevention Grant*	100	100	200	100	100	200
Child Protection Grants to Counties and Tribes	-	16,268	16,268	8,517	8,517	17,034
Grants Awarded by Advisory Council Administration*	-	16,266	16,266	8,516	8,516	17,032
	309	309	618	309	309	618
Total-Department of Human Services	2,809	35,343	38,152	19,842	19,842	39,684
Department of Health						
Administration*	38	-	38	-	-	-
Grant for Non-narcotic Pain Management*	1,250	-	1,250	-	-	-
Total-Department of Health	1,288	-	1,288			
Bureau of Criminal Apprehension						
Drug Scientists and Labs*	384	384	768	384	384	768
Agents for Drug Enforcement*	288	288	576	288	288	576
Total-Bureau of Criminal Apprehension	672	672	1,344	672	672	1,344
Dept. of Management and Budget*	300	300	600	300	300	600
Board of Pharmacy Administration*	370	126	496	126	126	252
Total, Opiate Epidemic Response Fund and General Fund	5,439	36,441	41,880	20,940	20,940	41,880

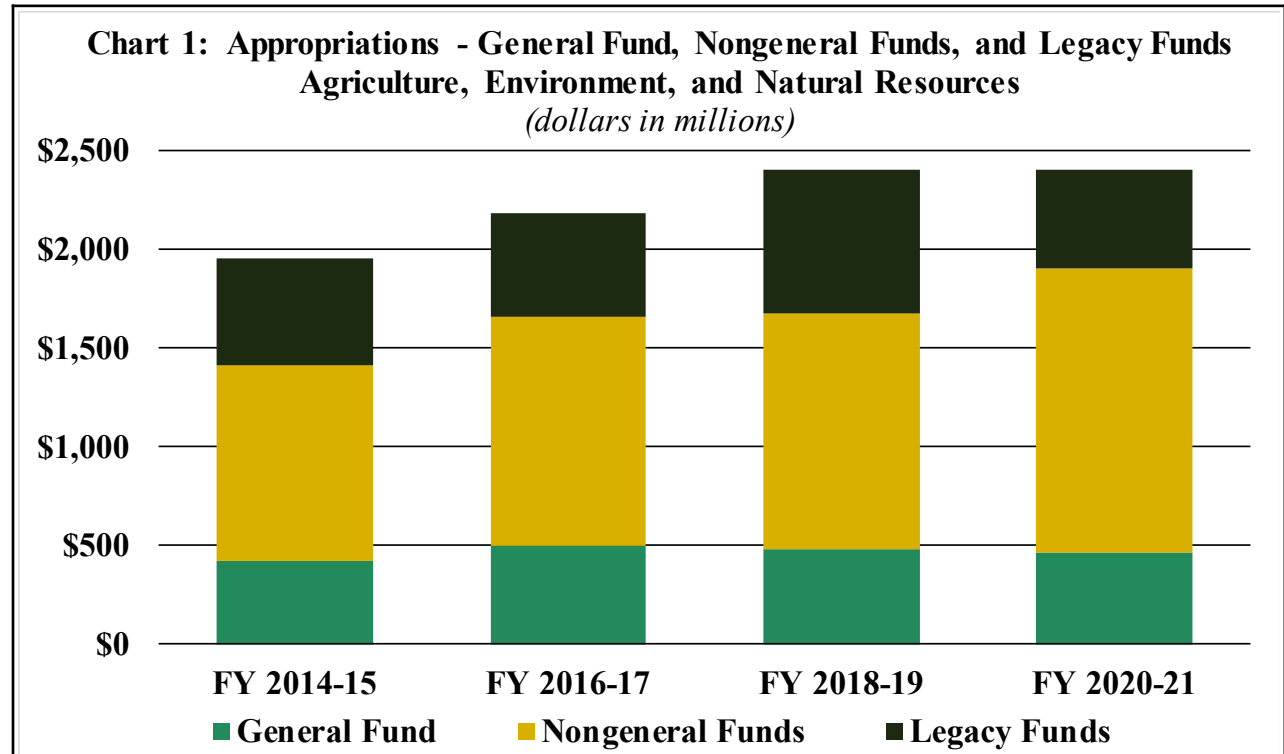
*All FY 2020 opiate epidemic response appropriations, totaling \$5.4 million, are from the General Fund. Beginning in FY 2021, all appropriations are from the Opiate Epidemic Response Fund. In FY 2021, Chapter 63 transfers \$5.4 million from the Opiate Epidemic Response Fund to the General Fund to reimburse the General Fund for the FY 2020 appropriations.

CHAPTER 7 AGRICULTURE, ENVIRONMENT, AND NATURAL RESOURCES

Appropriations for the Agriculture, Environment, and Natural Resources budget area were enacted in three chapters during the 2019 sessions. [2019 First Special Session, Chapter 1](#), made appropriations for the Department of Agriculture, the Board of Animal Health (BAH), and the Agricultural Utilization Research Institute. [2019 First Special Session, Chapter 2](#), made appropriations from the constitutionally dedicated/Legacy funds (see Appendix D on page 172). [2019 First Special Session, Chapter 4](#), appropriated funding for the Pollution Control Agency (PCA), the Department of Natural Resources (DNR), the Metropolitan Council, the Minnesota Conservation Corps, the Board of Water and Soil Resources (BWSR), the Minnesota Zoo, the Science Museum, and the Minnesota Board of Tourism.

[Chapter 4](#), appropriated funding for the Pollution Control Agency (PCA), the Department of Natural Resources (DNR), the Metropolitan Council, the Minnesota Conservation Corps, the Board of Water and Soil Resources (BWSR), the Minnesota Zoo, the Science Museum, and the Minnesota Board of Tourism.

Chapter 4 also appropriated money from the Environment and Natural Resources Trust Fund (see Appendix F on page 177).



The nondedicated Agriculture, Environment, and Natural Resources all funds appropriations increased in each of the past three biennia. Chart 1 displays Agriculture, Environment, and Natural Resources appropriations since FY 2014-15 and divides each biennium between the General Fund, nongeneral funds, and Legacy funds. The enacted nondedicated all funds budget in FY 2020-21 totaled \$1.9 billion, an increase of \$63.8 million, or 3.5 percent, more than the February 2019 forecast and an increase of \$230.4 million, or 13.8 percent, more than FY 2018-19 appropriations. The enacted budget also appropriated a total of \$502 million from the constitutionally dedicated funds for FY 2020-21. The FY 2018-19 all funds appropriations totaled \$2.4 billion, an increase of \$220.9 million, or 10.1 percent, more than FY 2016-17. The FY 2016-17 all funds appropriations totaled \$2.2 billion, an increase of \$224.2 million, or 11.5 percent, above FY 2014-15.

In FY 2020-21, the Agriculture, Environment, and Natural Resources General Fund appropriations were 19.4 percent of its all funds budget. The General Fund budget in FY 2020-21 totaled \$465.8 million, an increase of \$19.3 million, or 4.3 percent, more than the February 2019 forecast and a decrease of \$16.6 million, or 3.4 percent, less than FY 2018-19 appropriations. FY 2018-19 General Fund appropriations totaled \$482.4 million, a decrease of \$18.9 million, or 3.8 percent, less than FY 2016-17. FY 2016-17 General Fund appropriations totaled \$501.3 million, an increase of \$77.9 million, or 18.4 percent, above FY 2014-15. The FY 2016-17 General Fund amount included \$71.3 million of one-time transfers from the General Fund to other funds. (See Appendix D on page 172 for additional historical information.)

Table 1 shows the FY 2020-21 enacted budget compared to the previous biennium and to the February 2019 forecast for each of the agencies in these areas. The constitutionally dedicated funds are not considered part of the regular operating budget of an agency and appropriations for these funds are shown separately. (See Appendix F.)

Department of Agriculture

The enacted nondedicated budget for FY 2020-21 appropriated \$223.8 million to the Department of Agriculture, which was \$6.6 million, or 3.1 percent, above the February 2019 forecast, and \$1.4 million, or 0.6 percent, above FY 2018-19. Total General Fund appropriations for the Department of Agriculture increased by \$3.9 million compared to the forecast.

Budget highlights for FY 2020-21 include:

- \$900,000 from the General Fund to address noxious or invasive plants and weeds;
- \$500,000 from the General Fund for plant pathogen and pest detection;
- \$468,000 increase from the General Fund for increased mental health and farm advocate services;
- \$500,000 from the General Fund for an agriculture emergency response team; and
- \$2.5 million from the Agricultural Fund for fertilizer best practices and research grants. This appropriation was funded by extending a 40 cents per ton fee on bulk fertilizer that was due to expire.

AGRICULTURE, ENVIRONMENT, AND NATURAL RESOURCES

Table 1 - Agriculture, Environment, and Natural Resources All Funds Biennial Spending/Appropriations by Agency and Fund <i>(dollars in thousands)</i>					
Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst. Base
Department of Agriculture					
General Fund	106,771	103,712	107,617	846	3,905
Agricultural Fund	81,293	81,061	83,803	2,510	2,742
Special Revenue Fund	15,387	16,321	16,321	934	-
Remediation Fund	3,477	3,918	3,918	441	-
Gift Fund	66	30	30	(36)	-
Expenses in Multiple Funds	(10,829)	(11,278)	(11,278)	(449)	-
Federal Fund	<u>26,301</u>	<u>23,414</u>	<u>23,414</u>	<u>(2,887)</u>	-
Subtotal for Department of Agriculture:	222,465	217,178	223,825	1,360	6,647
<i>Dedicated/Constitutional Funds</i>					
Env and Natural Resources Trust Fund	2,277	-	1,000	(1,277)	1,000
Arts and Cultural Heritage Fund	300	-	800	500	800
Clean Water Fund	<u>23,081</u>	-	<u>21,720</u>	<u>(1,361)</u>	<u>21,720</u>
Subtotal Dedicated/Const. Funds:	25,658	-	23,520	(2,138)	23,520
Total Department of Agriculture:	248,123	217,178	247,345	(778)	30,167
Board of Animal Health					
General Fund	12,182	10,954	11,674	(508)	720
Special Revenue Fund	131	356	356	225	-
Federal Fund	1,562	1,160	1,160	(402)	-
Total Board of Animal Health:	13,875	12,470	13,190	(685)	720
Agricultural Utilization Research Institute					
General Fund	7,586	7,586	7,786	200	200
Total AURI:	7,586	7,586	7,786	200	200
Pollution Control Agency					
General Fund	14,490	13,414	13,339	(1,151)	(75)
State Govt Special Revenue Fund	154	156	156	2	-
Special Revenue Fund	72,147	68,750	68,750	(3,397)	-
Environmental Fund	163,482	163,789	171,580	8,098	7,791

AGRICULTURE, ENVIRONMENT, AND NATURAL RESOURCES

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
Remediation Fund	198,491	341,769	343,279	144,788	1,510
Closed Landfill Investment Fund	1,378	-	1,622	244	1,622
Gift Fund	10,000	15,600	15,600	5,600	-
Expenses in Multiple Funds	(57,704)	(57,064)	(57,064)	640	-
Federal Fund	<u>40,752</u>	<u>44,728</u>	<u>44,728</u>	<u>3,976</u>	-
Subtotal for PCA:	443,190	591,142	601,990	158,800	10,848
<i>Dedicated/Constitutional Funds</i>					
Env and Natural Resources Trust Fund	1,800	-	750	(1,050)	750
Clean Water Fund	<u>52,174</u>	-	<u>46,484</u>	<u>(5,690)</u>	<u>46,484</u>
Subtotal Dedicated/Const. Funds:	53,975	-	47,234	(6,741)	47,234
Total PCA:	497,165	591,142	649,224	152,059	58,082
Department of Natural Resources					
General Fund	230,681	227,235	238,905	8,224	11,670
Special Revenue Fund	287,393	294,166	294,166	6,773	-
Natural Resources Fund	209,227	209,371	225,924	16,697	16,553
Game and Fish Fund	230,804	232,810	245,199	14,395	12,389
Remediation Fund	3,920	15,248	15,252	11,332	4
Permanent School Fund	388	442	1,051	663	609
Gift Fund	4,434	3,356	3,356	(1,078)	-
Expenses in Multiple Funds	(200,843)	(195,582)	(195,582)	5,261	-
Federal Fund	<u>41,113</u>	<u>72,813</u>	<u>72,813</u>	<u>31,700</u>	-
Subtotal for DNR:	807,115	859,859	901,084	93,969	41,225
<i>Dedicated/Constitutional Funds</i>					
Env and Natural Resources Trust Fund	61,441	-	39,124	(22,317)	39,124
Outdoor Heritage Fund	231,579	-	120,604	(110,975)	120,604
Clean Water Fund	21,762	-	18,620	(3,142)	18,620
Parks and Trails Fund	<u>66,875</u>	-	<u>61,157</u>	<u>(5,718)</u>	<u>61,157</u>
Subtotal Dedicated/Const. Funds:	381,657	-	239,505	(142,152)	239,505
Total DNR:	1,188,772	859,859	1,140,589	(48,183)	280,730
Board of Water and Soil Resources					
General Fund	32,289	28,378	30,079	(2,210)	1,701
Special Revenue Fund	9,214	6,810	6,810	(2,404)	-

AGRICULTURE, ENVIRONMENT, AND NATURAL RESOURCES

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
Federal Fund	6,366	5,880	5,880	(486)	-
Subtotal for BWSR:	47,869	41,068	42,769	(5,100)	1,701
<i>Dedicated/Constitutional Funds</i>					
Env and Natural Resources Trust Fund	21,770	-	94	(21,676)	94
Outdoor Heritage Fund	67,687	-	5,963	(61,724)	5,963
Clean Water Fund	134,960	-	138,434	3,474	138,434
Subtotal Dedicated/Const. Funds:	224,418	-	144,491	(79,927)	144,491
Total BWSR:	272,286	41,068	187,260	(85,026)	146,192
Minnesota Conservation Corps					
General Fund	910	910	910	-	-
Natural Resources Fund	980	980	980	-	-
Total MN Cons Corps:	1,890	1,890	1,890	-	-
Metropolitan Council (Regional Parks)					
General Fund	5,080	5,080	5,080	-	-
Natural Resources Fund	12,000	12,000	13,200	1,200	1,200
Subtotal for Metropolitan Council:	17,080	17,080	18,280	1,200	1,200
<i>Dedicated/Constitutional Funds</i>					
Env and Natural Resources Trust Fund	2,243	-	-	(2,243)	-
Clean Water Fund	1,900	-	2,750	850	2,750
Parks and Trails Fund	35,475	-	40,096	4,621	40,096
Subtotal Dedicated/Const. Funds:	39,618	-	42,846	3,228	42,846
Total Metropolitan Council:	56,698	17,080	61,126	4,428	44,046
Minnesota Zoo					
General Fund	18,230	18,366	19,474	1,244	1,108
Natural Resources Fund	320	320	380	60	60
Special Revenue Fund	32,973	35,042	35,042	2,069	-
Gift Fund	2,936	3,288	3,288	352	-
Expenses in Multiple Funds	(762)	(800)	(800)	(38)	-
Federal Fund	159	680	680	521	-
Subtotal for MN Zoo:	53,856	56,896	58,064	4,208	1,168

AGRICULTURE, ENVIRONMENT, AND NATURAL RESOURCES

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
<i>Dedicated/Constitutional Funds</i>					
Env and Natural Resources Trust Fund	1,344	-	829	(515)	829
Arts and Cultural Heritage Fund	<u>3,712</u>	-	<u>3,500</u>	(212)	<u>3,500</u>
<i>Subtotal Dedicated/Const. Funds:</i>	<i>5,056</i>	-	<i>4,329</i>	<i>(727)</i>	<i>4,329</i>
Total MN Zoo:	58,912	56,896	62,393	3,481	5,497
Science Museum					
General Fund	2,158	2,158	2,158	-	-
<i>Dedicated/Constitutional Funds</i>					
Env and Natural Resources Trust Fund	973	-	100	(873)	100
Total Science Museum:	3,131	2,158	2,258	(873)	100
Minnesota Board of Tourism					
General Fund	30,000	28,688	28,748	(1,252)	60
Special Revenue Fund	2,674	2,420	2,420	(254)	-
Total MN Board of Tourism:	32,674	31,108	31,168	(1,506)	60
Transfer to Clean Water Fund					
General Fund	22,000	-	-	(22,000)	-
Total Transfer to Clean Water Fund:	22,000	-	-	(22,000)	-
Totals by Fund					
General Fund	482,377	446,481	465,770	(16,607)	19,289
State Govt Special Revenue Fund	154	156	156	2	-
Special Revenue Fund	419,919	423,865	423,865	3,946	-
Environmental Fund	163,482	163,789	171,580	8,098	7,791
Remediation Fund	205,887	360,935	362,449	156,562	1,514
Closed Landfill Investment Fund	1,378	-	1,622	244	1,622
Natural Resources Fund	222,527	222,671	240,484	17,957	17,813
Game and Fish Fund	230,804	232,810	245,199	14,395	12,389
Agricultural Fund	81,293	81,061	83,803	2,510	2,742
Permanent School Fund	388	442	1,051	663	609
Gift Fund	17,435	22,274	22,274	4,839	-
Expenses in Multiple Funds	(270,138)	(264,724)	(264,724)	5,414	-
Federal Fund	<u>116,252</u>	<u>148,675</u>	<u>148,675</u>	<u>32,423</u>	-
Subtotal for Non-Dedicated Funds:	1,671,758	1,838,435	1,902,204	230,446	63,769

AGRICULTURE, ENVIRONMENT, AND NATURAL RESOURCES

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
<i>Dedicated/Constitutional Funds</i>					
Env and Natural Resources Trust Fund	91,849	-	41,897	(49,952)	41,897
Outdoor Heritage Fund	299,266	-	126,567	(172,699)	126,567
Clean Water Fund	233,877	-	228,008	(5,869)	228,008
Parks and Trails Fund	102,350	-	101,253	(1,097)	101,253
Arts and Cultural Heritage Fund	<u>4,013</u>	=	<u>4,300</u>	<u>288</u>	<u>4,300</u>
<i>Subtotal Dedicated/Const. Funds:</i>	<i>731,354</i>	<i>-</i>	<i>502,025</i>	<i>(229,329)</i>	<i>502,025</i>
Total for Budget Area	2,403,113	1,838,435	2,404,229	1,116	565,794

* As adjusted by FY 2019 changes made in the 2019 sessions.

Board of Animal Health

The enacted nondedicated budget appropriated \$13.2 million to the BAH in FY 2020-21, which was \$720,000, or 5.8 percent, above the February 2019 forecast, and \$685,000, or 4.9 percent, below FY 2018-19. The board's General Fund budget was increased by \$400,000 for increased emergency response and preparedness and by \$320,000 for increased oversight of chronic wasting disease in Minnesota domestic cervidae farms (see page 105 for a detailed discussion of chronic wasting disease).

Agricultural Utilization Research Institute

The enacted nondedicated budget appropriated \$7.8 million to the Agricultural Utilization Research Institute in FY 2020-21, which was \$200,000, or 2.6 percent, above the February forecast and \$200,000, or 2.6 percent, above FY 2018-19.

Pollution Control Agency

The enacted nondedicated budget appropriated \$602 million to the Pollution Control Agency (PCA), which was a \$10.8 million, or 1.8 percent, increase compared to

the February 2019 forecast and a \$158.8 million, or 35.8 percent, increase above FY 2018-19.

The enacted budget included a \$143 million appropriation in FY 2020-21 to pay for expenditures required by a February 2018 settlement between the state and the 3M Corporation over responsibility for treating groundwater containing perfluorochemicals (PFCs). Under the settlement, the 3M Corporation agreed to pay the state \$850 million in FY 2019. Under [Laws 2018, Chapter 204](#), the settlement is required to be deposited in the Remediation Fund and the state is expected to expend this amount over a five to six-year period.

Budget highlights for FY 2020-21 included:

- a \$1 million increase from the Environmental Fund for SCORE grants that assist counties with their waste and recycling programs;
- \$1.6 million from the Environmental Fund to improve the permitting process for individuals and businesses;

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- \$1.5 million from the Environmental Fund for a new food waste reduction program;
 - \$1.2 million from the Remediation Fund for investigations and remediation of vapor contaminants into homes and other buildings; and
 - an extension of a previous Closed Landfill Investment Fund appropriation of \$3 million for feasibility studies, engineering, and cleanup-related activities associated with adding the freeway landfill in the city of Burnsville to the closed landfill cleanup program.
- Game and Fish Fund appropriations of \$6.9 million for a general operations increase for the fish and wildlife division, and \$2.8 million for continued monitoring of CWD in the wild cervidae herd in southern Minnesota (see page 105); and
 - an increase in the annual aquatic invasive species surcharge on watercraft registrations from \$5 to \$10.60.

Board of Water and Soil Resources

The enacted nondedicated budget appropriated \$42.7 million in FY 2020-21 to the Board of Water and Soil Resources (BWSR), which was \$1.7 million, or 4.1 percent, above the February forecast and \$5.1 million, or 10.7 percent, below FY 2018-19. The increase included money for an operations adjustment and technology security upgrades.

Minnesota Zoo

The enacted nondedicated budget appropriated \$58.1 million in FY 2020-21 to the Minnesota Zoo, which was \$1.2 million, or 2.1 percent, above the February 2019 forecast and \$4.2 million, or 7.8 percent, above FY 2018-19. This increase was to support general zoo operations.

Metropolitan Council (Regional Parks)

The enacted nondedicated budget appropriated \$18.3 million in FY 2020-21 to the Metropolitan Council for operations of the regional parks system, which was \$1.2 million, or seven percent, above the February 2019 forecast and \$1.2 million, or seven percent, above FY 2018-19. This increase was from the lottery in lieu account in the Natural Resources Fund.

Department of Natural Resources

The enacted nondedicated budget appropriated \$901.1 million in FY 2020-21 to DNR, which was \$41.2 million, or 4.8 percent, above the February 2019 forecast and \$93 million, or 11.6 percent, above FY 2018-19. The General Fund portion of the agency's budget was increased by \$11.7 million in FY 2020-21 compared to the forecast.

Budget highlights for FY 2020-21 include:

- General Fund increases of \$4.8 million for a general operations increase, \$1.9 million for monitoring chronic wasting disease in the wild cervidae population, and \$2.7 million for expected legal expenses;
- Natural Resources Fund appropriations of \$3.9 million for a general operations increase, \$1.8 million for increased inspections and monitoring of aquatic invasive species (AIS), \$5.7 million for ATV trails, and \$2 million for forest management;

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Minnesota Board of Tourism

The enacted budget appropriated \$31.2 million in FY 2020-21 to the Minnesota Board of Tourism, which was \$60,000, or 0.2 percent, above the February forecast and \$1.5 million, or 4.6 percent, below FY 2018-19.

Other Agencies

The FY 2020-21 nondedicated operating budgets for the Minnesota Conservation Corps and the Science Museum remained unchanged compared to the February 2019 forecast. Together the enacted budget for these agencies appropriated a total of \$4 million from all funds.

Table 2 - Agriculture, Environment, and Natural Resources
General Fund Changes Compared to Forecast
(dollars in thousands)

Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-21
Department of Agriculture						
Noxious Weed and Plant Protection	450	450	900	225	225	450
Plant Pathogens and Pests Protection	250	250	500	250	250	500
Industrial Hemp Program	175	175	350	175	175	350
Lab Capital Equipment	275	275	550	225	225	450
State Meat Inspection Increase	150	150	300	150	150	300
Corrections Vocational Training Program	(75)	(75)	(150)	(75)	(75)	(150)
Increase Ag Marketing and Development	100	100	200	100	100	200
Increase Agricultural Growth, Research and Innovation Grants	78	79	157	418	418	836
Mental Health Counseling and Hotline	187	187	374	125	125	250
Increase Farm Advocate Program	47	47	94	47	47	94
Increase MN Ag Leadership Council	15	15	30	15	15	30
Increase Second Harvest Milk Grants	50	50	100	-	-	-
Agriculture Emergency Team	250	250	500	250	250	500
Make Grants One-Time	-	-	-	(258)	(258)	(516)
Agriculture Total	1,952	1,953	3,905	1,647	1,647	3,294
Board of Animal Health						
Emergency Preparedness and Response	200	200	400	200	200	400
Increase for CWD Monitoring	120	200	320	200	200	400
BAH Total	320	400	720	400	400	800

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Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-21
Agriculture Utilization Research Institute						
Operating Increase	100	100	200	100	100	200
Pollution Control Agency						
Move Appropriation to Environmental Fund	-	(75)	(75)	(400)	(400)	(800)
Department of Natural Resources						
Operating Increase	1,854	2,965	4,819	2,809	2,810	5,619
Invasive Species Prevention	-	-	-	(375)	(375)	(750)
Protecting Public Waters	400	400	800	400	400	800
Forestry Data System Decrease	-	-	-	(263)	(263)	(526)
Increase for CWD Monitoring	1,595	275	1,870	275	275	550
School Trust Land Administration	187	187	374	187	187	374
Legal Support Costs	2,700	-	2,700	-	-	-
Grants to Cities for Ash Tree Replacement	700	-	700	-	-	-
No Child Left Inside Grants	182	-	182	-	-	-
Walter Mondale Trail Signage	75	-	75	-	-	-
Storm Debris Cleanup	150	-	150	-	-	-
DNR Total	7,843	3,827	11,670	3,033	3,034	6,067
Board of Water and Soil Resources						
Operating Increase	868	683	1,551	683	683	1,366
Information Technology and Cybersecurity	150	-	150	-	-	-
BWSR Total	1,018	683	1,701	683	683	1,366
Minnesota Zoo						
Operating Increase	482	626	1,108	626	626	1,252
Minnesota Board of Tourism						
Special Events Grants	60	-	60	-	-	-
Total General Fund Changes	11,775	7,514	19,289	6,089	6,090	12,179

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Table 3 - Agriculture, Environment, and Natural Resources Revenue Changes Compared to Forecast <i>(dollars in thousands)</i>							
Revenue Changes by Agency	Fund	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Department of Agriculture							
Retail Food Handler Fee Adjustment	General	(3)	(3)	(6)	(3)	(3)	(6)
Extend Fertilizer Checkoff for Grants	Agricultural	1,270	1,270	2,540	1,270	1,270	2,540
Grain Buyer Examination Fee	Agricultural	-	10	10	10	10	20
Pesticide Penalty Enhancement	Agricultural	1	1	2	1	1	2
State Meat Inspection Federal Match	Federal	150	150	300	150	150	300
Department of Agriculture Total		1,418	1,428	2,846	1,428	1,428	2,856
Board of Animal Health							
Increase Fee for Farmed Cervidae	Special Revenue	115	115	230	115	115	230
Pollution Control Agency							
Increase Fees for Air Monitoring	Environmental	258	516	774	516	516	1,032
Department of Natural Resources							
Increase AIS Surcharge on Watercraft	Natural Resources	1,600	1,600	3,200	1,600	1,600	3,200
Water Appropriation Fee Increase	Natural Resources	358	358	716	358	358	716
Cross Country Ski Pass Increase	Natural Resources	70	70	140	70	70	140
Increase Balsam Fur Dealer License	Natural Resources	2	2	4	2	2	4
Authorize Sales of Select State Land	Natural Resources	174	-	174	-	-	-
Surcharge for Bear Bait Drum	Game and Fish	6	6	12	6	6	12
Fed. Reimb. for CWD Expenditures	Game and Fish	1,752	1,752	3,504	1,463	1,463	2,926
DNR Total		3,962	3,788	7,750	3,499	3,499	6,998
Total Revenue Changes by Fund							
General Fund		(3)	(3)	(6)	(3)	(3)	(6)
Agricultural Fund		1,271	1,281	2,552	1,281	1,281	2,562
Special Revenue Fund		115	115	230	115	115	230
Environmental Fund		258	516	774	516	516	1,032
Natural Resources Fund		2,204	2,030	4,234	2,030	2,030	4,060
Game and Fish Fund		1,758	1,758	3,516	1,469	1,469	2,938
Federal Fund		150	150	300	150	150	300
Total Revenue Changes for Budget Area		5,753	5,847	11,600	5,558	5,558	11,116

CHRONIC WASTING DISEASE FUNDING CHANGES/APPROPRIATIONS

[Chapter 4](#), the Omnibus Environment and Natural Resources Act, enacted a response to the emergence of chronic wasting disease (CWD) in Minnesota. CWD is a highly contagious fatal brain disease infecting wild and captive cervidae. Cervidae are members of the deer family including white-tailed deer, mule deer, elk, moose, caribou, and reindeer. The disease can spread through bodily fluids such as saliva or through contaminated water or soil. Chapter 4 appropriated \$7.1 million in FY 2020-21 to respond to CWD, including \$2 million from the General Fund, \$2.9 million from the Game and Fish Fund, and \$1.8 million from the Environment and Natural Resources Trust Fund.

In 2002, the first positive CWD cervid was detected at an elk farm in Aitkin County. In subsequent years, CWD was detected in other cervidae farms. In 2010, CWD was detected for the first time in a wild cervidae population, when a CWD positive white-tailed deer was discovered two miles from a CWD positive elk farm in Olmsted County. The Department of Natural Resources (DNR) conducted surveillance in southeastern Minnesota and discovered three CWD positive wild deer in Fillmore County in 2016, the same year that a deer farm in Crow Wing County tested positive for CWD. The disease has been detected in both wild and farmed populations in all subsequent years. Chapter 4 made the following funding changes and appropriations.

Department of Natural Resources

- \$1.6 million in FY 2020 and \$275,000 in FY 2021 from the General Fund to plan and implement an emergency response to disease outbreaks in wildlife.
- \$1.1 million in FY 2020 and \$1.6 million in FY 2021 from the Game and Fish Fund to fund anticipated needs for surveillance and response related to disease outbreak and detection.
- \$50,000 in FY 2020 from the Game and Fish Fund to establish a CWD adopt-a-dumpster program, in which local hunting groups sponsor dumpsters dedicated to the disposal of deer carcasses in areas where CWD has been detected.

Board of Animal Health (BAH)

- \$120,000 in FY 2020 and \$200,000 in FY 2021 from the General Fund to fund increased regulatory requirements and oversight over farmed cervidae.
- \$115,000 in FY 2020 and \$115,000 in FY 2021 from the Special Revenue Fund. This appropriation is supported by an increased annual registration fee charged to owners of farmed cervidae and is in addition to \$64,000 in registration fee revenue in the February 2019 forecast for FY 2020-21.

University of Minnesota – Department of Veterinary and Biomedical Sciences

- \$1.8 million in FY 2019 from the Environment and Natural Resources Trust Fund to the Board of Regents of the University of Minnesota to develop a diagnostic test for CWD.

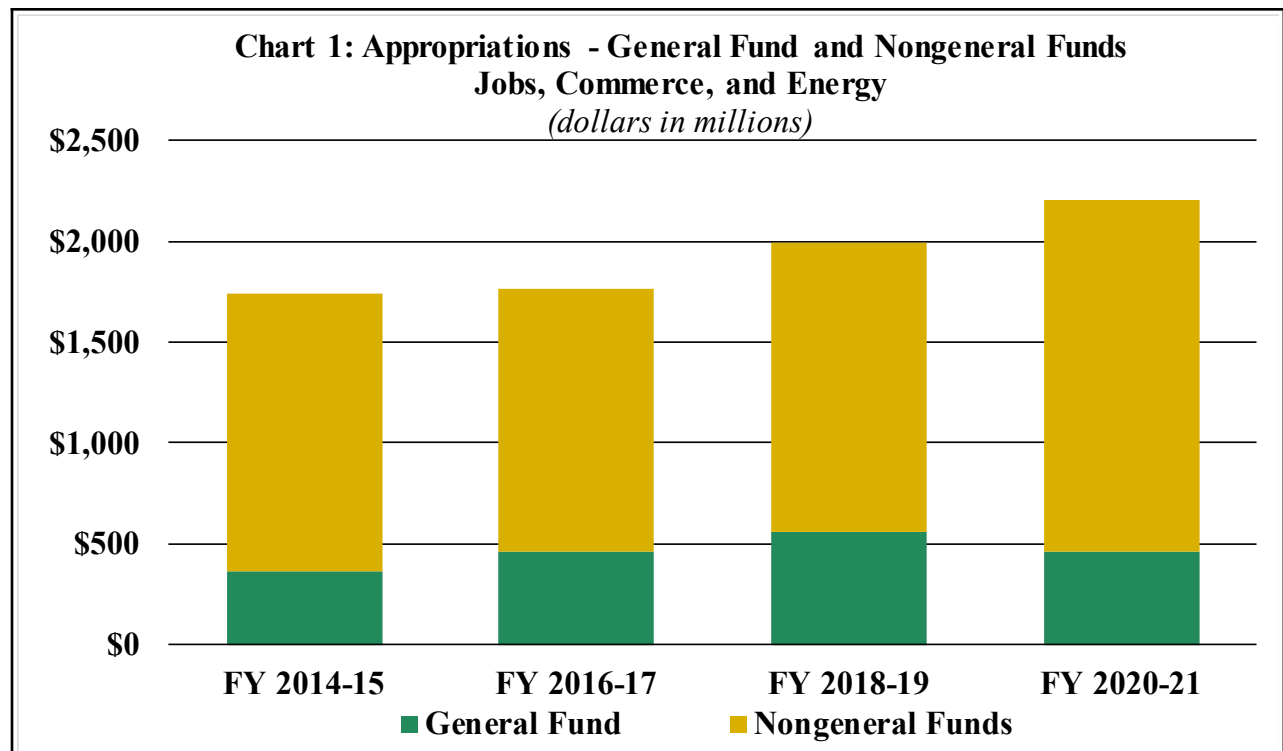
Chapter 4 also enacted several policy changes affecting cervidae farms and the agencies responsible for monitoring them. The enacted budget required that farm entry points must have

redundant gates, all new fencing must be high tensile, fencing deficiencies must be repaired within 45 days, and farmers must pay a fee equal to one-half of the annual inspection fee for reinspection. If a facility experiences more than one cervid escape within six months or fails to correct a deficiency, its registration may be revoked at the discretion of the BAH. Chapter 4 required the BAH, in conjunction with the DNR, to conduct annual physical inspections of all farmed cervidae facilities, including their perimeters. The annual fee for farmed cervidae inspections was increased to \$500 for commercial herds and herds with more than one species and to \$250 for all other herds. All farmed cervidae must be tagged with a distinct identification number by December 31 of the year in which the cervid was either born or physically moved to another location. Additionally, farm owners are required to have an accredited veterinarian inventory their herds annually. All farmed cervidae over the age of 12 months of age (previously 16 months of age) that die or are slaughtered must be tested for CWD, and if the disease is detected, the farmer must depopulate the premises within a time to be determined by the BAH and DNR and must maintain fencing around the facility for five years with posted biohazard signs. Collectively, these new requirements are projected to decrease the spread of the disease within the state.

CHAPTER 8 JOBS, COMMERCE, AND ENERGY

Appropriations for the Jobs, Commerce, and Energy budget area were primarily enacted in [2019 First Special Session, Chapters 1 and 7](#). Chapter 1 provided funding for the border-to-border broadband development grant program and appropriated funds to the Minnesota Housing Finance Agency (MHFA), and Chapter 7 funded the Department of Employment and Economic Development (DEED), the Department of Labor and Industry (DLI), the Department of Commerce, and several other state agencies.

There were two additional chapters that enacted changes affecting Jobs, Commerce, and Energy appropriations. [Chapter 39](#) made changes to pharmacy benefit managers (PBMs) by requiring licensure and establishing regulatory requirements for PBMs. (See page 116 for a detailed discussion). [2019 First Special Session, Chapter 9](#), the Omnibus Health and Human Services Act, enacted requirements that health plan companies provide coverage for pediatric autoimmune disorders. Chapter 9 appropriated funding to the Department of Commerce to implement the requirements of the law.



The Jobs, Commerce, and Energy all funds appropriations increased in each of the past three biennia. Chart 1 displays Jobs, Commerce, and Energy appropriations since FY 2014-15 and divides each biennium between the General Fund and the nongeneral funds. The enacted all funds budget in FY 2020-21 totaled \$2.2 billion, an increase of \$141.3 million, or 6.8 percent, more than the February 2019 forecast, and an increase of \$193.3 million, or 9.5 percent, more than FY 2018-19 appropriations. The FY 2018-19 all funds appropriations totaled \$2 billion, an increase of \$225.6 million, or 12.5 percent, more than FY 2016-17. The FY 2016-17 all funds appropriations totaled \$1.8 billion, an increase of \$45.4 million, or 2.6 percent, above FY 2014-15.

In FY 2020-21, Jobs, Commerce, and Energy General Fund appropriations were 20.7 percent of its all funds budget. The General Fund budget in FY 2020-21 totaled \$461.6 million, an increase of \$76.1 million, or 19.7 percent, more than the February 2019 forecast and a decrease of \$100.2 million, or 17.8 percent, from FY 2018-19 appropriations. FY 2018-19 General Fund appropriations totaled \$561.8 million, an increase of \$102.8 million, or 22.4 percent, more than FY 2016-17. FY 2016-17 General Fund appropriations totaled \$459 million, an increase of \$91.6 million, or 24.9 percent, above FY 2014-15.

Department of Employment and Economic Development

The enacted budget for DEED in FY 2020-21 was \$1 billion, an increase of \$89.1 million compared to the February 2019 forecast. General Fund appropriations in FY 2020-21 totaled \$254.1 million, an increase of \$50.2 million compared to the forecast. Chapter 7 also appropriated \$115.3 million from the Workforce Development Fund to DEED.

By law, the available funds in the Workforce Development Fund are statutorily appropriated to the Job Skills Partnership Board (JSPB), and must be used for employment training and dislocated worker programs. Chapter 7 directly appropriated \$73.8 million in FY 2020-21 from the Workforce Development Fund for various statutory programs and grants to nonprofit organizations. When a direct appropriation from this fund is enacted, the JSPB has fewer resources to allocate to its employment training and dislocated worker programs. Therefore, the \$121.3 million appropriated from the Workforce Development Fund to DEED and the Department of Labor and Industry in Chapter 7 reduced employment training and dislocated worker funding for the JSPB in FY 2020-21 by \$23 million.

Chapter 7 included the following appropriations from the General Fund in FY 2020-21:

- \$40 million for one-time broadband development grants (see Chart 2 for broadband development grant funding since FY 2015);
- \$5 million for Launch Minnesota, a newly-established program to support entrepreneurship;
- \$28.6 million for the vocational rehabilitation program, an increase of \$7 million over the February 2019 forecast; and
- \$2.2 million for the pathways to prosperity workforce development and training grant program for economically disadvantaged adults, a decrease of \$5.9 million compared to the February 2019 forecast.

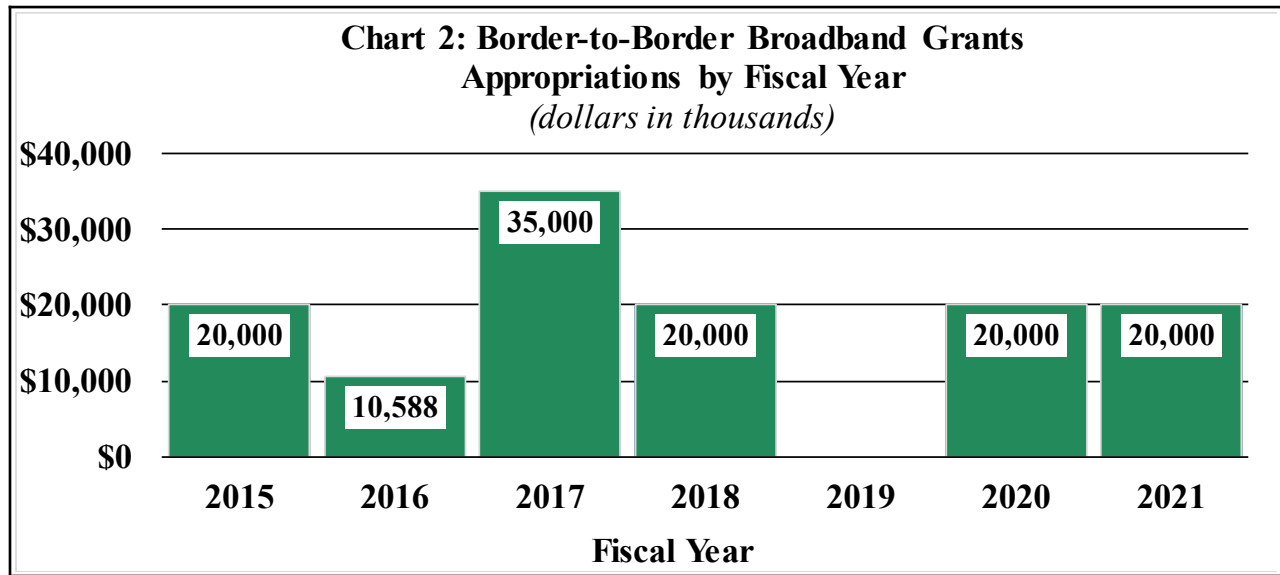


Table 1 - Jobs, Commerce, and Energy
All Funds Biennial Spending/Appropriations by Agency and Fund
(dollars in thousands)

Agency / Fund	FY 2018-19 Spending	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst. Base
Department of Employment and Economic Development					
General Fund	235,594	203,865	254,091	18,497	50,226
Renewable Development Fund	15,071	-	-	(15,071)	-
Petroleum Tank Release Cleanup Fund	17,035	12,402	12,400	(4,635)	(2)
Workforce Development Fund	139,251	116,901	115,301	(23,950)	(1,600)
Gift Fund	856	852	852	(4)	-
Remediation Fund	1,431	1,400	1,400	(31)	-
Federal Fund	486,910	531,873	531,873	44,963	-
Special Revenue Fund	99,125	83,831	124,343	25,218	40,512
Expenses in Multiple Funds	(32,731)	(36,602)	(36,602)	(3,871)	-
Total DEED:	962,542	914,522	1,003,658	41,116	89,136
Department of Labor and Industry					
General Fund	3,970	3,596	7,688	3,718	4,092
Workforce Development Fund	4,459	4,368	5,968	1,509	1,600
Workers' Compensation Special Fund	138,999	144,863	147,863	8,864	3,000
Federal Fund	11,878	11,767	11,767	(111)	-
State Government Special Revenue Fund	66,654	65,592	65,592	(1,062)	-
Special Revenue Fund	15,218	14,075	15,071	(147)	996
Expenses in Multiple Funds	(8,050)	(10,581)	(10,581)	(2,531)	-
Total Department of Labor and Industry:	233,128	233,680	243,368	10,240	9,688

JOBS, COMMERCE, AND ENERGY

Agency / Fund	FY 2018-19 Spending	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst. Base
Bureau of Mediation Services					
General Fund	4,942	5,058	5,282	340	224
Special Revenue Fund	44	62	62	18	-
Total Bureau of Mediation Services:	4,986	5,120	5,344	358	224
Workers' Compensation Court of Appeals					
Workers' Compensation Special Fund	3,861	3,904	4,505	644	601
Total WCCA:	3,861	3,904	4,505	644	601
Public Facilities Authority					
General Fund	900	-	-	(900)	-
Special Revenue Fund	706	617	617	(89)	-
Subtotal for PFA:	1,606	617	617	(989)	-
<i>Dedicated/Constitutional Funds</i>					
Clean Water Fund	35,555	-	18,250	(17,305)	18,250
Subtotal Dedicated/Const. Funds:	35,555	-	18,250	(17,305)	18,250
Total Public Facilities Authority:	37,161	617	18,867	(18,294)	18,250
Board of Iron Range Resources and Rehabilitation					
General Fund	5,026	5,788	5,788	762	-
Iron Range Resources and Rehab Fund	67,247	57,496	57,264	(9,983)	(232)
Economic Protection Trust Fund	33,108	5,242	5,242	(27,866)	-
Total IRRRB:	105,382	68,526	68,294	(37,088)	(232)
Public Utilities Commission					
General Fund	14,942	14,986	15,586	644	600
Special Revenue Fund	2,667	2,562	2,562	(105)	-
Total Public Utilities Commission:	17,609	17,548	18,148	539	600
Department of Commerce					
General Fund	188,819	46,568	52,528	(136,291)	5,960
Renewable Development Fund	7,764	10,080	10,080	2,316	-
Petroleum Tank Release Cleanup Fund	16,414	21,082	21,082	4,668	-
Federal Fund	270,046	501,288	501,288	231,242	-
Workers' Compensation Special Fund	1,506	1,517	1,517	11	-
Special Revenue Fund	78,455	157,222	159,322	80,867	2,100
Expenses in Multiple Funds	(4,003)	(4,000)	(4,000)	3	-
Total Department of Commerce:	559,001	733,757	741,817	182,816	8,060

JOBS, COMMERCE, AND ENERGY

Agency / Fund	FY 2018-19 Spending	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst. Base
Housing Finance Agency					
General Fund	107,596	105,596	120,596	13,000	15,000
Total Housing Finance Agency:	107,596	105,596	120,596	13,000	15,000
Totals by Fund					
General Fund	561,789	385,457	461,559	(100,230)	76,102
Renewable Development Fund	22,835	10,080	10,080	(12,755)	-
Petroleum Tank Release Cleanup Fund	33,449	33,484	33,482	33	(2)
Workforce Development Fund	143,710	121,269	121,269	(22,441)	-
Gift Fund	856	852	852	(4)	-
Remediation Fund	1,431	1,400	1,400	(31)	-
Federal Fund	768,835	1,044,928	1,044,928	276,093	-
Special Revenue Fund	196,214	258,369	301,977	105,763	43,608
Workers' Compensation Special Fund	144,366	150,284	153,885	9,519	3,601
State Government Special Revenue Fund	66,654	65,592	65,592	(1,062)	-
Iron Range Resources and Rehab Fund	67,247	57,496	57,264	(9,983)	(232)
Economic Protection Trust Fund	33,108	5,242	5,242	(27,866)	-
Expenses in Multiple Funds	(44,784)	(51,183)	(51,183)	(6,399)	-
Subtotal for Regular Funds:	1,995,711	2,083,270	2,206,347	210,636	123,077
<i>Dedicated/Constitutional Funds</i>					
Clean Water Fund	35,555	-	18,250	(17,305)	18,250
Subtotal Dedicated/Const. Funds:	35,555	-	18,250	(17,305)	18,250
Total for Budget Area	2,031,265	2,083,270	2,224,597	193,332	141,327

Department of Labor and Industry

The enacted budget appropriated a total of \$243.4 million in FY 2020-21 to DLI, an increase of \$9.7 million compared to the February 2019 forecast, and \$10.2 million compared to FY 2018-19. The department is primarily funded through direct and statutory appropriations from the Workers' Compensation Fund and other special revenue funds. General Fund appropriations in FY 2020-21 totaled \$7.7 million (three percent of all funds), an increase of \$4.1 million compared to the forecast.

Chapter 7 appropriated \$4.1 million in FY 2020-21 from the General Fund for DLI's wage theft prevention initiative, which was an increase of \$3.1 million compared to the February 2019 forecast. With the increased appropriation, DLI will hire additional staff to investigate alleged instances of employers illegally withholding pay from employees. The wage theft prevention initiative was first funded in FY 2018-19 with a \$1 million General Fund appropriation. Chapter 7 also appropriated \$4 million to DLI for information technology system upgrades, of which \$3 million was from the Workers' Compensation Fund to complete a multi-year

overhaul of the department's workers' compensation payment system, and \$1 million was from the General Fund to increase various information technology systems and projects across the department.

Department of Commerce

The enacted budget for the Department of Commerce in FY 2020-21 was \$741.8 million, an increase of \$8.1 million compared to the February 2019 forecast. General Fund appropriations in FY 2020-21 totaled \$52.5 million, an increase of \$6 million compared to the forecast.

Chapter 7 increased the operating budget appropriations for the Department of Commerce by a total of \$2.1 million from the General Fund in FY 2020-21. This included the elimination of \$840,000 in direct funding for the department's financial institutions division. The reduction to the financial institutions division's appropriation was offset by a change which redirected \$1.1 million in FY 2020-21 revenue generated from mortgage originator licensure application and renewal fees from the General Fund to the financial institutions account in the Special Revenue Fund. The account was established in FY 2018 and enables the department to have spending authority over revenue generated by the department's assessment and examination fees.

Chapter 7 made substantial changes to statutes governing how the department identifies and disposes of unclaimed financial property. These changes increased General Fund revenue by \$9 million annually beginning in FY 2021. In addition, \$2.4 million in FY 2020-21 was appropriated from the General Fund for the department's unclaimed property compliance initiative.

This was an increase of \$1.6 million over the February 2019 forecast, and included funding to enhance the department's information technology systems and provide for cybersecurity upgrades.

Chapter 9 required health plan companies to cover treatment for pediatric autoimmune neuropsychiatric disorders. In addition, it required the Department of Commerce to reimburse health plan companies for the costs of providing this coverage, which the federal Affordable Care Act (ACA) requires for any state coverage mandate enacted after the ACA. Chapter 9 established an open appropriation of \$155,000 in FY 2020-21 and \$176,000 in FY 2022-23 to the Department of Commerce from the General Fund for the amount necessary in each fiscal year to reimburse health plan companies. Chapter 9 also directly appropriated \$54,000 in FY 2020-21 to the Department of Commerce from the General Fund for associated administrative costs. Chapter 9 also required this additional coverage in the medical assistance program (MA) and increased the MA appropriation beginning in FY 2020-21 for the cost of the coverage. (See page 81 for a discussion about the MA costs associated with this change.)

Minnesota Housing Finance Agency

Chapter 1 appropriated \$120.6 million in FY 2020-21 from the General Fund to the Minnesota Housing Finance Agency (MHFA). This amount is \$15 million, or 14.2 percent, above the February 2019 forecast and \$13 million, or 12.1 percent, above FY 2018-19.

The General Fund appropriations for FY 2020-21 include:

JOBS, COMMERCE, AND ENERGY

- \$20.5 million for family homeless prevention and assistance programs, an increase of \$3.5 million over the February 2019 forecast;
- \$8.7 million to the bridges program that provides rental assistance to persons with a mental illness or families with an adult member with a mental illness, an increase of \$500,000 over the February 2019 forecast;
- \$5 million one-time to the economic development and housing challenge program for workforce housing;
- \$3.5 million for the homework starts with home program that targets families with school-aged children experiencing homelessness or who are highly mobile; and
- \$2 million for manufactured home park infrastructure grants.

Table 2 - Jobs, Commerce, and Energy
General Fund Changes Compared to Forecast
(dollars in thousands)

Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Department of Employment and Economic Development						
Launch Minnesota	2,500	2,500	5,000	-	-	-
Hmong Chamber of Commerce	125	125	250	-	-	-
Rondo Community Land Trust	250	-	250	-	-	-
Childcare Business Startups	750	-	750	-	-	-
Minnesota Initiative Foundations	750	-	750	-	-	-
Minnesota Investment Fund	(530)	(530)	(1,060)	(130)	(130)	(260)
Airport Infrastructure Renewal Program	700	-	700	-	-	-
First in the Upper Midwest Robotics Hubs	100	-	100	-	-	-
Pathways to Prosperity Grants	(2,945)	(2,945)	(5,890)	(1,493)	(1,493)	(2,986)
AccessAbility Grant	188	188	376	-	-	-
Capacity Building Grants	(500)	(500)	(1,000)	(500)	(500)	(1,000)
Vocational Rehabilitation Program	3,500	3,500	7,000	3,500	3,500	7,000
Dairy Assistance, Investment, and Relief (transfer to MDA)	3,000	-	3,000	-	-	-
Border-to-Border Broadband Development Grants	20,000	20,000	40,000	-	-	-
Total DEED	27,888	22,338	50,226	1,377	1,377	2,754

JOBS, COMMERCE, AND ENERGY

Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Department of Labor and Industry						
IT Systems Modernization	500	500	1,000	900	900	1,800
Wage Theft Prevention Initiative	1,546	1,546	3,092	1,546	1,546	3,092
Total Department of Labor and Industry	2,046	2,046	4,092	2,446	2,446	4,892
Bureau of Mediation Services						
Mediator Training Program	112	112	224	112	112	224
Housing Finance Agency						
Economic Development and Housing Challenge Program	5,000	-	5,000	-	-	-
Manufactured Home Grants	2,000	-	2,000	1,000	1,000	2,000
Workforce and Affordable Homeownership Development	500	-	500	250	250	500
Bridges Rental Assistance	250	250	500	250	250	500
Family Homelessness Prevention Initiative	1,750	1,750	3,500	1,750	1,750	3,500
Homework Starts with Home	1,750	1,750	3,500	1,750	1,750	3,500
Total Housing Finance Agency	11,250	3,750	15,000	5,000	5,000	10,000
Public Utilities Commission						
Operating Budget Adjustment	300	300	600	300	300	600
Department of Commerce						
Operating Budget Adjustment	866	1,184	2,050	1,184	1,184	2,368
IT Systems Modernization	-	208	208	832	208	1,040
Litigation Expenses	1,177	-	1,177	-	-	-
Unclaimed Property Modernization	705	914	1,619	914	914	1,828
Rulemaking for MN-Vest	(33)	(33)	(66)	(33)	(33)	(66)
Real Estate Advisory Board Compensation	5	5	10	5	5	10
NCOIL Membership	30	-	30	30	-	30
Pharmacy Benefit Manager Licensure Administration	340	383	723	425	425	850
Pediatric Autoimmune Coverage Administration	27	27	54	27	27	54
Pediatric Autoimmune Coverage Payments	75	80	155	85	91	176
Total Department of Commerce	3,192	2,768	5,960	3,469	2,821	6,290
Total General Fund Changes	44,788	31,314	76,102	12,704	12,056	24,760

JOBS, COMMERCE, AND ENERGY

Table 3 - Jobs, Commerce, and Energy Revenue Changes Compared to Forecast <i>(dollars in thousands)</i>							
Revenue Changes by Agency	Fund	FY 2020	FY 2021	FY 2020- 21	FY 2022	FY 2023	FY 2022- 23
Department of Employment and Economic Development							
Minnesota Investment Fund Onetime Usage Exception	General	1,630	-	1,630	-	-	-
Total DEED		1,630	-	1,630	-	-	-
Department of Labor and Industry							
Combative Sports Fee Reductions	Special Revenue	(2)	(2)	(4)	(2)	(2)	(4)
Total Department of Labor and Industry		(2)	(2)	(4)	(2)	(2)	(4)
Public Utilities Commission							
Operating Budget Adjustment - Assessment Revenue	General	300	300	600	300	300	600
Total Public Utilities Commission		300	300	600	300	300	600
Department of Commerce							
Unclaimed Property Modernization	General	(1,000)	10,040	9,040	10,040	10,040	20,080
Financial Institutions Fee Revenue Redirection	General	(550)	(550)	(1,100)	(550)	(550)	(1,100)
Pharmacy Benefit Manager Licensure Revenue	General	340	383	723	425	425	850
Financial Institutions Fee Revenue Redirection	Special Revenue	550	550	1,100	550	550	1,100
Utility Grid Reliability Assessment Extension	Special Revenue	500	500	1,000	-	-	-
Total Department of Commerce		500	500	1,000	-	-	-
Total Revenue Changes by Fund							
General Fund		380	9,790	10,170	9,790	9,790	19,580
Special Revenue Fund		1,048	1,048	2,096	548	548	1,096
Total Revenue Changes for Budget Area		1,428	10,838	12,266	10,338	10,338	20,676

PHARMACY BENEFIT MANAGER LICENSURE AND REFORM

Pharmacy benefit managers (PBMs) are third party administrators that contract with health plans to administer the prescription drug portion of health insurance coverage. A PBM establishes the formulary (list of covered prescription drugs), creates pharmacy networks, provides access and utilization review services, including prior authorization, and processes prescription drug claims and payments to pharmacies. Pharmacy benefit managers also negotiate prices and rebates on behalf of health plans with drug manufacturers.

[Chapter 39](#) required PBMs to be licensed by the Department of Commerce to operate in Minnesota. In addition, Chapter 39 granted specific rulemaking authority to the Department of Commerce to develop licensure standards, forms and procedures, and reporting requirements for PBMs. The new licensing requirements also provide for the Department of Commerce to review and audit PBMs to ensure compliance.

Chapter 39 established an initial licensing fee of \$8,500 for each PBM and an \$8,500 annual renewal fee. General Fund revenue from the new licensing fees is projected to be \$723,000 in FY 2020-21 and \$850,000 in FY 2022-23. Chapter 39 appropriated \$723,000 from the General Fund in FY 2020-21 for staffing and administrative costs to implement the PBM licensing requirements and required the Department of Commerce to use \$246,000 of the appropriation each year for two enforcement investigators to enforce the PBM licensing and regulatory requirements.

The enacted law also established new regulatory requirements for PBMs. Under these requirements, PBMs must exercise good faith and fair dealings in performing their contractual duties and meet network adequacy requirements to ensure reasonable access for enrollees to prescription drugs. In addition, PBMs must report information on prescription drug costs, including the acquisition cost for the PBM and rebates received by the PBM, to health plan sponsors and to the Department of Commerce. Furthermore, Chapter 39 limited the ability of PBMs to provide incentives to or require enrollees to use pharmacies in which the PBM has an ownership interest.

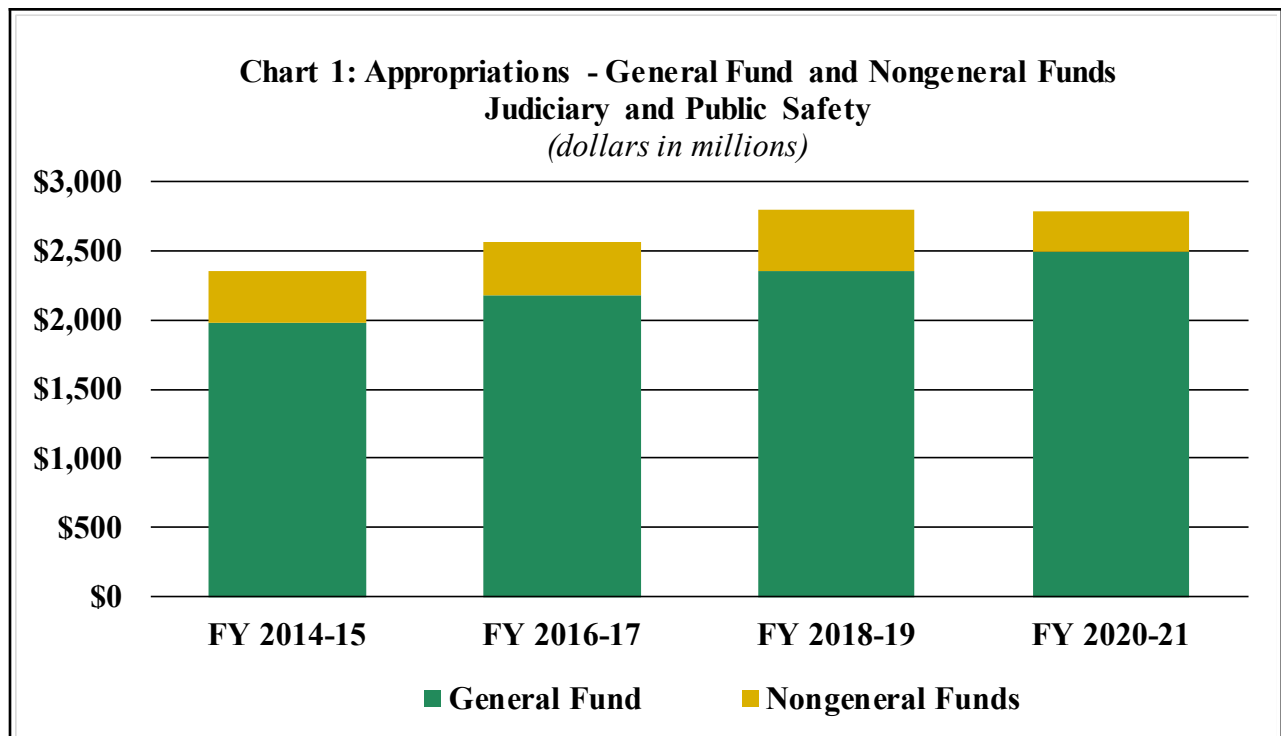
Several provisions in Chapter 39 addressed the costs that enrollees pay for prescription drugs. Under the new requirements, gag clauses in contracts with pharmacists are prohibited, allowing a pharmacist to inform a consumer that the out-of-pocket cost for a prescription is less than the copayment amount under the consumer's insurance. Chapter 39 also required PBMs to fill prescriptions for specialty drugs in a timely manner and allow enrollees with multiple ongoing prescriptions to minimize travel time to the pharmacy by synchronizing the timing of their prescription refills. Finally, PBMs must limit the amount an enrollee is required to pay at the point of sale for a prescription drug to the least of the following: the enrollee's copayment amount, the allowable claim amount, or the amount the enrollee would have to pay if the enrollee was not insured.

CHAPTER 9 JUDICIARY AND PUBLIC SAFETY

Five chapters enacted the Judiciary and Public Safety budget for FY 2020-21. [2019 First Special Session, Chapter 5](#), the Omnibus Judiciary and Public Safety Act, provided funding for the Judiciary, Department of Corrections (DOC), and the Department of Public Safety (DPS). [2019 First Special Session, Chapter 3](#), the Omnibus Transportation Act, established a contingent transfer of \$20 million in FY 2020 from the General Fund to the disaster assistance contingency account in the Special Revenue Fund. (See pages 24 and 187 for discussions of contingent appropriations.) [2019 First Special Session, Chapter 6](#), the Omnibus Tax

Act, appropriated funding for a fire remediation grant for the city of Melrose. [Chapter 63](#), the Opiate Epidemic Response Act, appropriated money to DPS, and [Chapter 51](#) appropriated money to the DOC for individual claims against the state.

The Judiciary and Public Safety all funds appropriations increased in two of the past three biennia. Chart 1 displays Judiciary and Public Safety appropriations since FY 2014-15 and divides each biennium between the General Fund and the nongeneral funds. The enacted all funds budget in FY 2020-21 totaled \$2.8 billion, an increase of \$127



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million, or 4.8 percent, more than the February 2019 forecast, and a decrease of \$1.1 million from FY 2018-19 appropriations. The FY 2018-19 all funds appropriations totaled \$2.8 billion, an increase of \$227.7 million, or 8.9 percent, more than FY 2016-17. The FY 2016-17 all funds appropriations totaled \$2.6 billion, an increase of \$209.6 million, or 8.9 percent, above FY 2014-15.

In FY 2020-21, the Judiciary and Public Safety General Fund appropriations were 89.4 percent of its all funds budget. The General Fund budget in FY 2020-21 totaled \$2.5 billion, an increase of \$132 million, or 5.7 percent, more than the February 2019 forecast, and an increase of \$134.1 million, or 5.6 percent, more than FY 2018-19 appropriations. FY 2018-19 General Fund appropriations totaled \$2.4 billion, an increase of \$178.2 million, or 8.2 percent, more than FY 2016-17. FY 2016-17 General Fund appropriations totaled \$2.2 billion, an increase of \$200.5 million, or 10.1 percent, above FY 2014-15.

Supreme Court

Chapter 5 appropriated a total of \$113.9 million to the Supreme Court in FY 2020-21 from the General Fund, an increase of \$6.7 million, or 6.3 percent, above forecast. Of this amount, \$84.4 million was for the Supreme Court for operations and \$29.4 million was for civil legal services, which provides legal representation in civil matters to low-income people who could not otherwise afford an attorney. The Supreme Court operations appropriation included \$2.5 million to allow salary increases for Supreme Court justices and court staff of 2.5 percent each year, \$714,000 for judge and employee health insurance increases, and \$1.5 million for cybersecurity. The civil legal services

appropriation increased by \$2 million, or 7.3 percent, compared to the forecast.

Court of Appeals

Chapter 5 appropriated \$26 million to the Court of Appeals in FY 2020-21 from the General Fund, an increase of \$938,000, or 3.7 percent, above the forecast. The appropriation included funding to provide salary increases of 2.5 percent each year for judges and court staff, as well as \$202,000 for increased health insurance coverage.

District Courts

Chapter 5 appropriated \$626.2 million to the district courts in FY 2020-21 from the General Fund, an increase of \$26.8 million, or 4.5 percent, more than the forecast. This appropriation included funding to provide judge and staff salary increases of 2.5 percent each year. Chapter 5 included \$6.2 million for health insurance increases and \$879,000 for a new judgeship in the seventh judicial district. The seventh judicial district includes the north central Minnesota counties of Becker, Benton, Clay, Douglas, Mille Lacs, Morrison, Otter Tail, Stearns, Todd, and Wadena. Chapter 5 also appropriated \$2.1 million for mandated psychological services for defendants and \$612,000 for five specialty treatment courts.

Guardian ad Litem Board

Chapter 5 appropriated \$43.4 million to the Guardian ad Litem Board in FY 2020-21 from the General Fund, an increase of \$9.8 million, or 29.3 percent, over forecast. Of this amount, \$1.7 million was for salary and health insurance increases, \$8 million was to hire new attorneys to comply with federal and state staffing mandates, and \$100,000 was for technology upgrades.

JUDICIARY AND PUBLIC SAFETY

Table 1 - Judiciary and Public Safety All Funds Biennial Spending/Appropriations by Agency and Fund <i>(dollars in thousands)</i>					
Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst. Base
Supreme Court					
General Fund	105,535	107,166	113,862	8,327	6,696
Special Revenue Fund	8,356	6,478	6,478	(1,878)	-
Gift Fund	2,563	2,056	2,056	(507)	-
Federal Fund	8,741	8,625	8,625	(116)	-
Total Supreme Court:	125,195	124,325	131,021	5,826	6,696
Court of Appeals					
General Fund	24,957	25,056	25,994	1,037	938
District Courts					
General Fund	590,330	599,432	626,204	35,874	26,772
Special Revenue Fund	5,279	4,811	4,811	(468)	-
Gift Fund	406	276	276	(130)	-
Federal Fund	21,390	20,790	20,790	(600)	-
Total District Court:	617,405	625,309	652,081	34,676	26,772
Guardian ad Litem Board					
General Fund	32,906	33,568	43,386	10,480	9,818
Special Revenue Fund	1,447	1,637	1,637	190	-
Gift Fund	5	-	-	(5)	-
Total Guardian ad Litem Board:	34,358	35,205	45,023	10,665	9,818
Tax Court					
General Fund	3,358	3,364	3,615	257	251
Uniform Laws Commission					
General Fund	186	186	196	10	10
Board on Judicial Standards					
General Fund	1,250	978	1,044	(206)	66
Legal Professions Board					
Special Revenue Fund	17,890	18,721	18,721	831	-

JUDICIARY AND PUBLIC SAFETY

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fct. Base
Public Defense Board					
General Fund	175,382	177,272	197,552	22,170	20,280
Special Revenue Fund	342	-	-	(342)	-
Gift Fund	242	70	70	(172)	-
Total Public Defense Board:	175,966	177,342	197,622	21,656	20,280
Peace Officer Standards and Training Board					
General Fund	12,400	12,000	20,692	8,292	8,692
Special Revenue Fund	8,477	8,492	-	(8,477)	(8,492)
Total POST Board:	20,877	20,492	20,692	(185)	200
Private Detective Board					
General Fund	383	384	554	171	170
Department of Human Rights					
General Fund	8,980	9,190	10,042	1,062	852
Special Revenue Fund	902	481	481	(421)	-
Gift Fund	8	12	12	4	-
Federal Fund	780	854	854	74	-
Total Department of Human Rights:	10,670	10,537	11,389	719	852
Department of Public Safety					
General Fund	208,100	200,830	210,710	2,610	9,880
State Government Special Revenue Fund	206	206	206	-	-
Special Revenue Fund	104,028	67,316	69,046	(34,982)	1,730
Environmental Fund	146	146	146	-	-
Trunk Highway Fund	4,798	4,858	4,858	60	-
911 Emergency Fund	64,859	78,400	79,496	14,637	1,096
Gift Fund	573	390	390	(183)	-
Opiate Epidemic Response Fund	-	-	672	672	672
Federal Fund	139,790	40,441	40,441	(99,349)	-
Total Department of Public Safety:	522,500	392,587	405,965	(116,535)	13,378
MMB Non-Operations - Public Safety					
General Fund	20,922	922	930	(19,992)	8

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Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
Department of Corrections					
General Fund	1,171,358	1,188,202	1,235,723	64,365	47,521
Special Revenue Fund	36,318	31,428	31,428	(4,890)	-
Gift Fund	25	20	20	(5)	-
Federal Fund	9,421	10,251	10,251	830	-
Expenses in Multiple Funds	(4,964)	(5,384)	(5,384)	(420)	-
Total Department of Corrections:	1,212,158	1,224,517	1,272,038	59,880	47,521
Sentencing Guidelines Commission					
General Fund	1,325	1,342	1,366	41	24
Totals by Fund					
General Fund	2,357,372	2,359,892	2,491,870	134,498	131,978
State Govt Special Revenue Fund	206	206	206	-	0
Special Revenue Fund	183,039	139,364	132,602	(50,437)	(6,762)
Environmental Fund	146	146	146	-	-
Trunk Highway Fund	4,798	4,858	4,858	60	-
911 Emergency Fund	64,859	78,400	79,496	14,637	1,096
Opiate Epidemic Response Fund	-	-	672	672	672
Gift Fund	3,822	2,824	2,824	(998)	-
Expenses in Multiple Funds	(4,964)	(5,384)	(5,384)	420	-
Federal Fund	180,122	80,961	80,961	(99,161)	-
Total for Budget Area	2,789,400	2,661,267	2,788,251	(1,149)	126,984

* As adjusted by FY 2019 changes made in the 2019 sessions.

Tax Court

Chapter 5 appropriated \$3.6 million to the Tax Court in FY 2020-21 from the General Fund, an increase of \$251,000 over forecast. This increase was for costs associated with electronic court filing.

Uniform Laws Commission

Chapter 5 appropriated \$196,000 to the Uniform Laws Commission in FY 2020-21

from the General Fund, including a \$10,000 increase over forecast for operating expenses.

Board of Judicial Standards

Chapter 5 appropriated \$1 million to the Board of Judicial Standards in FY 2020-21 from the General Fund, including a \$66,000 increase over forecast for operating expenses.

Board of Public Defense

Chapter 5 appropriated \$197.6 million to the Board of Public Defense in FY 2020-21 from the General Fund, an increase of \$20.3 million, or 11.4 percent, compared to the forecast. The appropriation included \$14 million for employee compensation and health insurance, \$6 million for new attorneys and support staff, and \$248,000 for public defense corporations.

Department of Human Rights

Chapter 5 appropriated \$10 million to the Department of Human Rights in FY 2020-21 from the General Fund, an increase of \$852,000, or 9.3 percent, over forecast. This increase included funding for salary and health insurance increases, as well as a new civic engagement coordinator position.

Peace Officer Standards and Training Board

Chapter 5 appropriated \$20.7 million to the Peace Officer Standards and Training (POST) Board in FY 2020-21 from the General Fund. Of this amount, \$2.6 million was for board operations, including a new rulemaking coordinator position, and \$18.1 million was for reimbursement to local law enforcement agencies for peace officer training. In addition, Chapter 5 appropriated \$400,000 in FY 2019 from the General Fund for an operating deficiency. The board was previously funded through the Special Revenue Fund with receipts from the criminal and traffic surcharge. (See page 129 for additional discussion of the POST Board financing changes.)

Private Detective Board

Chapter 5 appropriated \$554,000 to the Private Detective Board in FY 2020-21 from the General Fund. This was an increase of \$170,000 over forecast for an additional licensing oversight position.

Sentencing Guidelines Commission

Chapter 5 appropriated \$1.4 million to the Sentencing Guidelines Commission in FY 2020-21 from the General Fund. This was an increase of \$24,000 over forecast, for salary and health insurance increases.

DEPARTMENT OF PUBLIC SAFETY

The enacted budget appropriated \$406 million to DPS criminal justice divisions in FY 2020-21. This is an \$13.4 million, or 3.4 percent, increase above the forecast. General Fund appropriations to DPS for these divisions totaled \$210.7 million in FY 2020-21, which was \$9.9 million, or 4.9 percent, above the forecast.

DPS received appropriations in the Transportation and Public Safety budget as well as in the Judiciary and Public Safety budget. The Transportation and Public Safety divisions of DPS received appropriations in [2019 First Special Session, Chapter 3](#), the Omnibus Transportation and Public Safety Act. (See the Transportation and Public Safety chapter on page 150 of this report for further discussion about DPS appropriations.)

Public Safety Divisions

Chapter 5 appropriated \$398.1 million in FY 2020-21 for criminal justice and public safety related divisions, an increase of \$11.4 million over forecast. The increase included additional General Fund appropriations for

homeland security and emergency management, the bureau of criminal apprehension, and the office of justice programs. The fire marshal, emergency communication networks, and homeland security and emergency management received Special Revenue Fund increases.

Homeland Security and Emergency Management

The enacted budget appropriated \$7.2 million to the office of homeland security and emergency management in FY 2020-21 from the General Fund, an increase of \$1.9 million compared to the forecast. The increase included \$500,000 for Minnesota school safety centers, \$450,000 for supplemental nonprofit security grants, \$340,000 to Rapidan Township to reimburse costs incurred from flooding in 2010, and \$644,000 for fire remediation grants to the city of Melrose. Chapter 5 also appropriated \$1.4 million from the Special Revenue Fund for one-time grants to fund emergency response teams in St. Paul, Duluth, Moorhead, and St. Cloud.

Similar to the approach taken in the FY 2018-19 budget, Chapter 3 established a General Fund transfer to the disaster assistance contingency account in the Special Revenue Fund of up to \$20 million that is contingent upon the FY 2018-19 General Fund closing balance. If the FY 2018-19 closing balance exceeds the balance projected at the end of the 2019 legislative session, the increase (up to \$20 million) will be transferred from the General Fund to the disaster assistance contingency account. (See pages 24 and 187 for a discussion of contingent appropriations.) Money in the disaster assistance contingency account is used to pay for the immediate public costs incurred after a disaster occurs. (See page 51 of the [2014](#)

[Fiscal Review](#) for a detailed discussion of the account.)

Bureau of Criminal Apprehension

Chapter 5 appropriated \$118.8 million to the bureau of criminal apprehension (BCA) in FY 2020-21 from the General Fund, an increase of \$6.6 million, or six percent, compared to the forecast. Of the increase, \$3 million was for the automated fingerprint system (AFIS), \$1.5 million was for technology enhancements, \$1.3 million was for additional drug agents and forensic scientists, and \$856,000 was for FBI cybersecurity compliance. In addition, Chapter 63, the Opiate Epidemic Response Act, appropriated \$672,000 in FY 2020-21 to the BCA from the Opiate Epidemic Response Fund for additional drug agents and forensic scientists. (See page 91 for a detailed discussion of the Opiate Epidemic Response Act.)

State Fire Marshal

Chapter 5 appropriated \$13.3 million to the state fire marshal in FY 2020-21 from the Special Revenue Fund, an increase of \$380,000 over forecast. The increase was for technology enhancements.

Board of Firefighter Training and Education

Chapter 5 appropriated \$10 million in FY 2020-21, the forecasted amount, from the Special Revenue Fund to the board of firefighter training and education.

Alcohol and Gambling Enforcement

Chapter 5 appropriated \$4 million in FY 2020-21, the forecasted amount, from the

JUDICIARY AND PUBLIC SAFETY

General Fund to the alcohol and gambling enforcement division.

Office of Justice Programs

Chapter 5 appropriated \$80 million to the office of justice programs in FY 2020-21 from the General Fund, which was an increase of \$628,000, or less than one percent, above the forecast. The increase included \$400,000 for a veterans domestic abuse prevention program, \$150,000 for a task force on missing and murdered indigenous women, \$44,000 for technology enhancements, and \$34,000 for a criminal sexual conduct working group.

Emergency Communication Networks

Chapter 5 appropriated \$155.6 million to the emergency communication networks division in FY 2020-21 from the 911-Emergency Fund, an increase of \$1.1 million, or less than one percent, over forecast. The increase was for technology enhancements and 911 dispatcher CPR training.

DEPARTMENT OF CORRECTIONS

The enacted budget appropriated \$1.3 billion to the Department of Corrections (DOC) in FY 2020-21 from all funds, an increase of \$47.5 million, or four percent, compared to the forecast, and an increase of \$59.9 million, or 4.9 percent, compared to FY 2018-19.

Institutions

Chapter 5 increased the FY 2020-21 institutions division appropriation by \$40.7 million, or 4.7 percent, compared to the forecast. The increase included funding for the following initiatives:

- \$22.9 million for health insurance and salary step increases;
- \$7.6 million for 67 new correctional officers;
- \$2.7 million for the retention of existing correctional officers;
- \$1.3 million for an ombudsperson office for corrections;
- \$5.3 million for the offender health care contract; and
- \$793,000 for electronic health records.

Community Services

Chapter 5 increased the FY 2020-21 community services division appropriation by \$5.4 million, or 2.1 percent, compared to the forecast. The increase included funding for the following initiatives:

- \$4.4 million for health insurance and salary step increases;
- \$560,000 for juvenile justice reform; and
- \$440,000 for juvenile detention alternative grants.

Operations Support

Chapter 5 increased the FY 2020-21 operations support division appropriation by \$1.5 million, or 2.6 percent, above forecast. The increase included \$1.1 million for health insurance and salary step increases, and \$366,000 for prison security technology.

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Table 2 - Judiciary and Public Safety Budget General Fund Changes Compared to Forecast <i>(dollars in thousands)</i>						
Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Supreme Court						
Judge Compensation	42	85	127	85	85	170
Employee Compensation	779	1,576	2,355	1,576	1,576	3,152
Judge and Employee Health Insurance	213	501	714	501	501	1,002
Cybersecurity	750	750	1,500	750	750	1,500
Supreme Court Total	1,784	2,912	4,696	2,912	2,912	5,824
Civil Legal Services						
Increased Operations	1,000	1,000	2,000	1,000	1,000	2,000
Court of Appeals						
Judge Compensation	107	217	324	217	217	434
Employee Compensation	136	276	412	276	276	552
Judge and Employee Health Insurance	60	142	202	142	142	284
Court of Appeals Total	303	635	938	635	635	1,270
District Courts						
Judge Compensation	1,567	3,159	4,726	3,159	3,159	6,318
Employee Compensation	4,048	8,196	12,244	8,196	8,196	16,392
Judge and Employee Health Insurance	1,839	4,332	6,171	4,332	4,332	8,664
Mandated Services Deficit	1,070	1,070	2,140	1,070	1,070	2,140
One New Judgeship	456	423	879	423	423	846
Treatment Court Sustainability	306	306	612	306	306	612
District Court Total	9,286	17,486	26,772	17,486	17,486	34,972
Guardian ad Litem Board						
Compensation and Insurance	552	1,166	1,718	1,166	1,166	2,332
New Attorneys	4,000	4,000	8,000	4,000	4,000	8,000
Technological Upgrades	50	50	100	50	50	100
Guardian ad Litem Board Total	4,602	5,216	9,818	5,216	5,216	10,432
Tax Court						
E-filings and Remote Helpline	125	126	251	126	126	252
Uniform Laws Commission						
Operating Increase	5	5	10	5	5	10

JUDICIARY AND PUBLIC SAFETY

Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Board of Judicial Standards						
Operating Increase	41	20	61	20	20	40
Online Complaint Website	5	-	5	-	-	-
Board of Judicial Standards Total	46	20	66	20	20	40
Board of Public Defense						
Salary Increases	3,957	7,970	11,927	7,970	7,970	15,940
Health Insurance	699	1,406	2,105	1,406	1,406	2,812
New Attorneys and Support Staff	3,000	3,000	6,000	3,000	3,000	6,000
Public Defense Corporations	82	166	248	166	166	332
Board of Public Defense Total	7,738	12,542	20,280	12,542	12,542	25,084
Department of Human Rights						
Operating Increase	182	379	561	379	379	758
Civic Engagement	134	157	291	157	157	314
Department of Human Rights Total	316	536	852	536	536	1,072
Sentencing Guidelines						
Operating Increase	8	16	24	16	16	32
Department of Public Safety						
Homeland Security and Emergency Management						
Minnesota School Safety Center	250	250	500	-	-	-
Supplemental Non-Profit Security Grants	225	225	450	-	-	-
Rapidan Township Disaster Reimbursement	340	-	340	-	-	-
Melrose Fire Remediation Grant	644	-	644	-	-	-
MN.IT Enhancements	3	3	6	3	3	6
Subtotal Homeland Security and Emergency Management	1,462	478	1,940	3	3	6
Bureau of Criminal Apprehension						
Automated Fingerprint System (AFIS) Lease	1,500	1,500	3,000	1,500	1,500	3,000
FBI Cybersecurity Compliance	428	428	856	428	428	856
Drug Agents and Forensic Scientists	650	650	1,300	650	650	1,300
MN.IT Enhancements	742	742	1,484	742	742	1,484
Subtotal Bureau of Criminal Apprehension	3,320	3,320	6,640	3,320	3,320	6,640

JUDICIARY AND PUBLIC SAFETY

Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Office of Justice Programs						
Task Force on Indigenous Women	105	45	150	-	-	-
Criminal Sexual Conduct Working Group	20	14	34	-	-	-
Veterans Domestic Abuse Prevention	200	200	400	-	-	-
MN.IT Enhancements	22	22	44	22	22	44
Subtotal Office of Justice Programs	347	281	628	22	22	44
Total Department of Public Safety	5,129	4,079	9,208	3,345	3,345	6,690
Private Detective Board						
Additional Investigator	85	85	170	85	85	170
Peace Officer Standards and Training Board						
Deficiency, FY 2019	400	-	400	-	-	-
Rules Coordinator	100	100	200	100	100	200
GF Funding (Previously in SRF)	4,246	4,246	8,492	4,246	4,246	8,492
POST Board Total	4,746	4,346	9,092	4,346	4,346	8,692
<u>Department of Corrections</u>						
Institutions						
Salary and Health Insurance Increases	8,259	14,623	22,882	14,623	14,623	29,246
New Correctional Officers	2,800	4,800	7,600	5,551	5,552	11,103
Recruitment and Retention of Correctional Officers	1,337	1,338	2,675	2,038	2,038	4,076
Ombudsperson for Corrections	654	655	1,309	655	655	1,310
Offender Health Care Contract	2,072	3,272	5,344	3,272	3,272	6,544
Electronic Health Records	130	663	793	663	663	1,326
Bed Impact Various Sentencing Enhancements	-	98	98	284	486	770
Subtotal Institutions	15,252	25,449	40,701	27,086	27,289	54,375
Community Services						
Salary and Health Insurance Increases	1,870	2,485	4,355	2,485	2,485	4,970
Juvenile Justice Reform	280	280	560	280	280	560
Juvenile Detention Alternative Grants	220	220	440	220	220	440
Subtotal Community Services	2,370	2,985	5,355	2,985	2,985	5,970

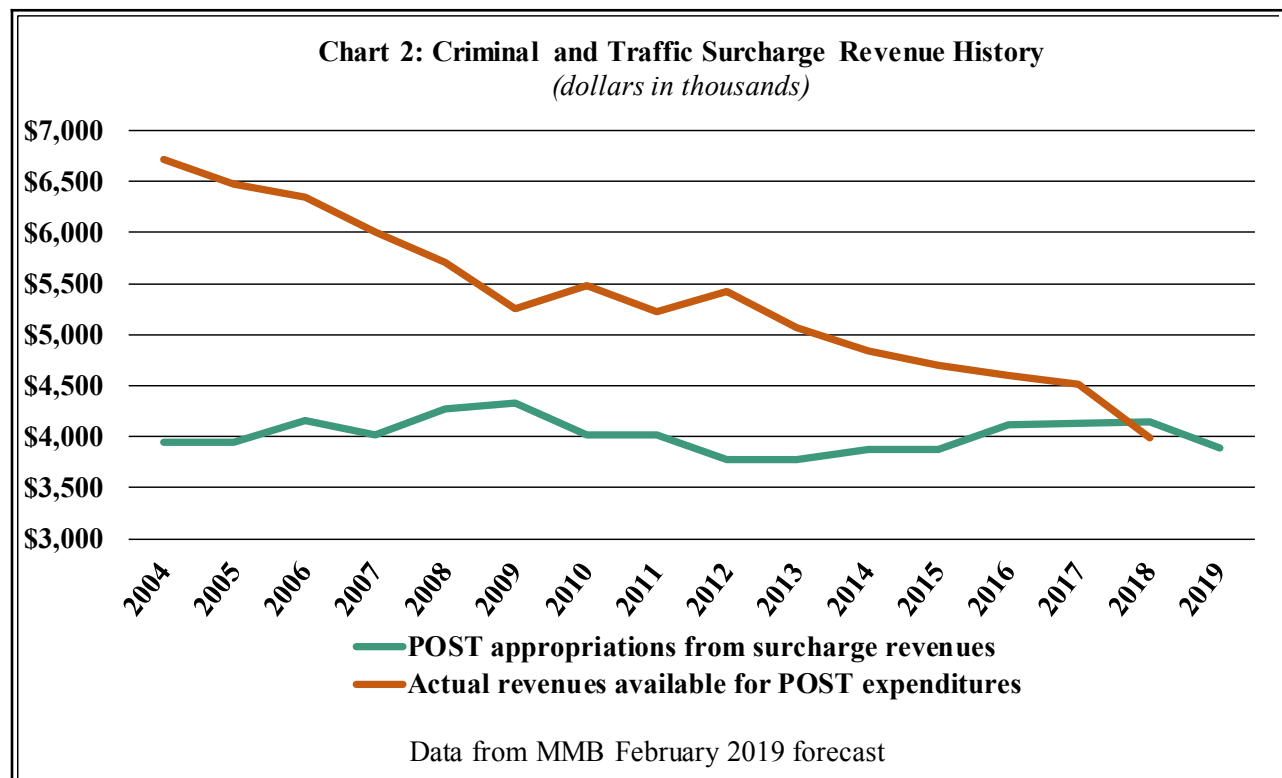
JUDICIARY AND PUBLIC SAFETY

Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Operations Support						
Salary and Health Insurance Increases	429	670	1,099	670	670	1,340
Prison Security Technology Needs	366	-	366	-	-	-
Subtotal Operations Support	795	670	1,465	670	670	1,340
Corrections Claims, Chapter 51	8	-	8	-	-	-
Total Department of Corrections	18,425	29,104	47,529	30,741	30,944	61,685
Opiate Drug Agents and Scientists, Chapter 63	672	-	672	-	-	-
Total General Fund Changes	54,270	78,108	132,378	79,011	79,214	158,225

POST BOARD FUNDING CHANGES

The Minnesota Peace Officer Standards and Training (POST) Board was created in 1977. At that time, it was the first system in the United States responsible for establishing licensing and training requirements and setting standards for law enforcement agencies and officers. Today, the board licenses over 10,500 peace officers statewide. The board adopts administrative rules to establish policies and standards for Minnesota law enforcement. It also distributes law enforcement training reimbursement to agencies statewide.

[Laws 1998, Chapter 367](#), enacted the criminal and traffic surcharge to fund the board's activities. The surcharge was originally \$25 and was levied upon all persons who committed a felony, gross misdemeanor, misdemeanor, or petty misdemeanor. (Parking violations are excluded.) The revenue generated from the surcharge was allocated to the peace officers training account in the Special Revenue Fund (39 percent), the Game and Fish Fund (one percent), and the General Fund (60 percent). Funding for the POST Board was appropriated from the peace officers training account. The surcharge was increased in FY 2002, FY 2003, FY 2005, and FY 2008, eventually reaching \$75. All of the revenue raised by the surcharge increases above the initial \$25 was credited to the General Fund.



Since FY 2002, the criminal and traffic surcharge revenue credited to the peace officers training account has in most years declined compared to the previous year (see Chart 2). Reasons for the decline included a decrease in the number of surcharges imposed by the courts and a reduction in payment compliance. In FY 2019, the revenue in the peace officers training account was insufficient to meet the appropriation made from the account. [2019 Special Session, Chapter 5](#), made a one-time appropriation of \$400,000 in FY 2019 from the General Fund to the POST Board to cover the FY 2018-19 deficiency and enacted policy changes to address the ongoing revenue shortfall.

Beginning in FY 2020, Chapter 5 deposited 99 percent of the criminal and traffic surcharge revenue into the General Fund and repealed the peace officers training account. This change moved the 39 percent of the surcharge previously credited to the account to the General Fund. As a result, Chapter 5 increased surcharge revenue credited to the General Fund in FY 2020-21 by \$7.3 million compared to the February 2019 forecast. Surcharge revenue credited to the General Fund was \$55.8 million in FY 2020-21 compared to \$52.5 million in FY 2018-19.

Chapter 5 also appropriated \$20.7 million to the board from the General Fund in FY 2020-21. This appropriation was an increase of \$200,000, or 1.1 percent, over the February 2019 forecasted amount for the POST Board from both the General Fund and peace officers training account. The increased appropriation was for the creation of a rules coordinator position for the board. The POST Board appropriations from the General Fund increased by \$8.5 million in FY 2020-21, which reflects the new financing mechanism.

By eliminating the peace officers training account, depositing 99% of surcharge revenue in the General Fund, and appropriating POST Board funding from the General Fund, Chapter 5 eliminated the board's reliance on the surcharge for its ongoing operations and minimized the potential that the board will have a deficiency in its future appropriations. In the future, the POST Board's operations will be funded solely from the General Fund and if surcharge collections are lower than anticipated, the General Fund itself will receive less revenue than anticipated. As a much larger fund with diversified revenue sources, the General Fund will provide a more stable funding source for ongoing POST Board appropriations.

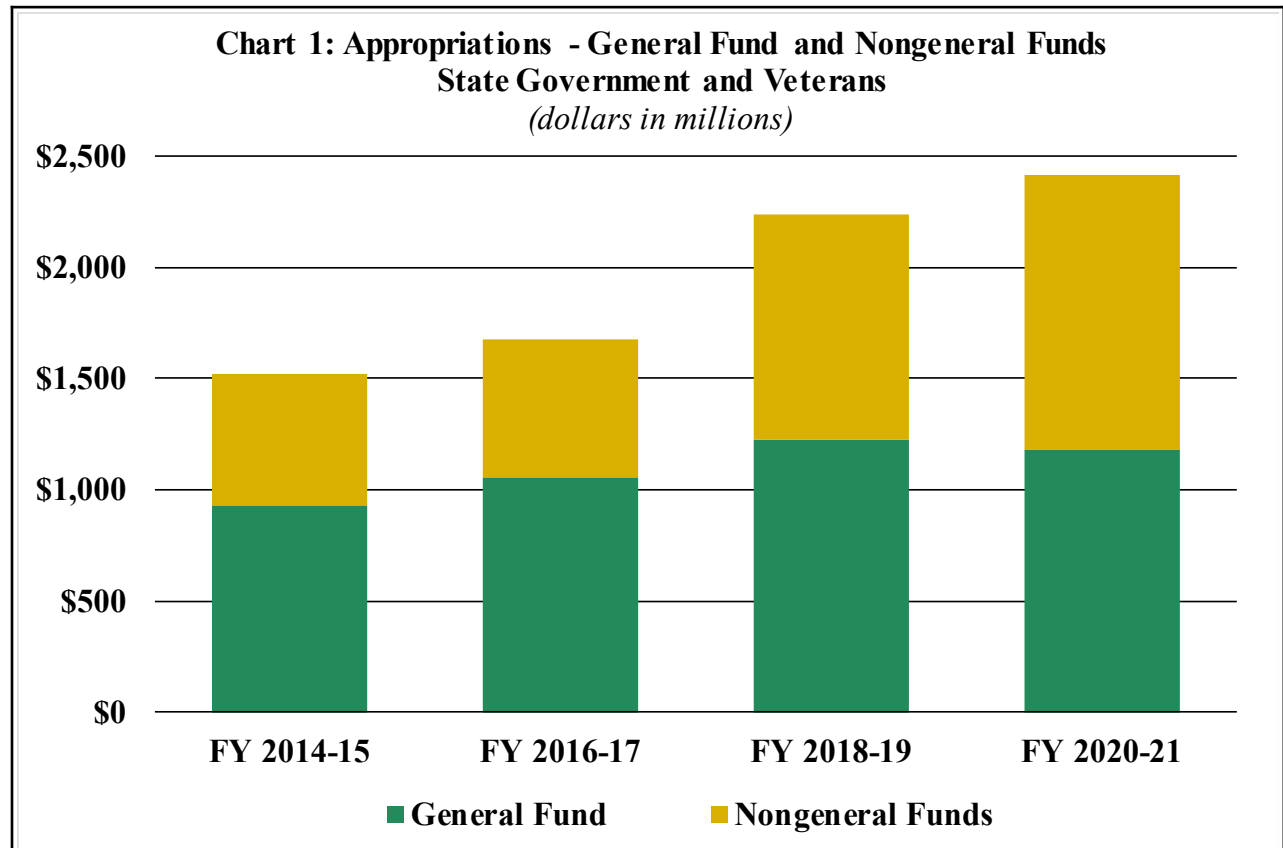
CHAPTER 10

STATE GOVERNMENT AND VETERANS

[2019 First Special Session, Chapter 10](#), the Omnibus State Government and Veterans Act, contained FY 2020-21 appropriations for the Legislature, constitutional officers, and administrative state agencies, and was the primary act that established the FY 2020-21 budget in this jurisdiction.

The State Government and Veterans all funds appropriations increased in each of the past three biennia. Chart 1 displays State

Government and Veterans appropriations since FY 2014-15 and divides each biennium between the General Fund and the nongeneral funds. The enacted all funds budget in FY 2020-21 totaled \$2.5 billion, an increase of \$226.5 million, or 9.8 percent, more than the February 2019 forecast, and an increase of \$176.3 million, or 7.4 percent, more than FY 2018-19. The FY 2018-19 all funds appropriations totaled \$2.4 billion, an increase of \$568.5 million, or 31.6 percent,



more than FY 2016-17. The FY 2016-17 all funds appropriations totaled \$1.8 billion, an increase of \$167.7 million, or 10.3 percent, above FY 2014-15.

In FY 2020-21, the State Government and Veterans General Fund appropriations were 46.3 percent of its all funds budget. The General Fund budget in FY 2020-21 totaled \$1.2 billion, an increase of \$88.9 million, or 8.2 percent, more than the February 2019 forecast, and a decrease of \$48.3 million, or 3.9 percent, from FY 2018-19. FY 2018-19 General Fund appropriations totaled \$1.2 billion, an increase of \$173.1 million, or 16.4 percent, more than FY 2016-17. FY 2016-17 General Fund appropriations totaled \$1.1 billion, an increase of \$123.8 million, or 10.3 percent, above FY 2014-15.

See Appendix D on page 172 for additional historical spending data. Table 1, on page 133, summarizes the State Government and Veterans budget across all funds. Table 2, on page 141, details General Fund changes for State Government and Veterans agencies.

LEGISLATURE

Chapter 10 appropriated \$187.6 million in FY 2020-21 from the General Fund for the operations of the Legislature, including the House of Representatives, the Senate, and joint legislative offices. Of this total, \$76.3 million was appropriated to the House of Representatives, an increase of \$11.5 million, or 17.8 percent, over the February 2019 forecast. The Senate received an increase of \$6.3 million, or 9.8 percent, over forecast for a total FY 2020-21 appropriation of \$70.5 million. Chapter 10 also made a one-time General Fund appropriation of \$5 million to the Senate in FY 2019.

The joint legislative offices under the direction of the Legislative Coordinating Commission (LCC) received \$40.6 million in FY 2020-21 from the General Fund, an increase of \$5.5 million, or 15.8 percent, over the forecast. Chapter 10 increased appropriations compared to the forecast to several LCC offices for operating adjustments, including the Office of the Legislative Auditor (OLA) (\$1.7 million, or 12.7 percent), Office of the Revisor of Statutes (\$1.8 million, or 14.7 percent), the Legislative Reference Library (\$549,000, or 19 percent), the Legislative Commission on Pensions and Retirement (\$82,000, or 7.7 percent), and to the LCC itself for general operations and for other entities for which the LCC is the fiscal agent (\$696,000, or 16.9 percent). Chapter 10 also appropriated a \$751,000, or 45.9 percent, increase for the joint nonpartisan Legislative Budget Office to expand its staff. The OLA also received a one-time appropriation of \$200,000 from the General Fund for FY 2020 in [2019 First Special Session, Chapter 3](#), for program audits at the Department of Public Safety and the Department of Transportation.

CONSTITUTIONAL OFFICERS

Governor

Chapter 10 appropriated \$7.2 million from the General Fund in FY 2020-21 to the Office of the Governor. This appropriation is the same as the February 2019 forecast.

State Auditor

The General Fund appropriation for FY 2020-21 to the State Auditor was \$20.9 million. This amount included new funding of \$784,000, or 3.9 percent, above the forecast as an operating adjustment to maintain current levels of service.

STATE GOVERNMENT AND VETERANS

Table 1 - State Government and Veterans All Funds Biennial Spending/Appropriations by Agency and Fund <i>(dollars in thousands)</i>					
Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
Legislature					
General Fund	191,507	163,990	187,551	(3,956)	23,561
Health Care Access Fund	253	256	-	(253)	(256)
Special Revenue Fund	832	323	423	(409)	100
Gift Fund	47	-	-	(47)	-
Subtotal for Legislature:	192,639	164,569	187,974	(4,665)	23,405
<i>Dedicated/Constitutional Funds</i>					
Arts and Cultural Heritage Fund	12	-	6	(6)	6
Clean Water Fund	20	-	9	(11)	9
Env and Natural Resources Trust Fund	2,132	-	1,403	(729)	1,403
Minnesota Resources Fund	3	-	-	(3)	-
Outdoor Heritage Fund	2,126	-	1,125	(1,001)	1,125
Parks and Trails Fund	9	-	4	(5)	4
Subtotal Dedicated/Const. Funds:	4,302	-	2,547	(1,755)	2,547
Total Legislature:	196,941	164,569	190,521	(6,420)	25,952
Office of the Governor					
General Fund	7,216	7,244	7,244	28	-
Special Revenue Fund	4,469	4,227	4,227	(242)	-
Total Governor:	11,685	11,471	11,471	(214)	-
State Auditor					
General Fund	19,805	20,158	20,942	1,137	784
Special Revenue Fund	1,345	1,587	1,587	242	-
Total State Auditor:	21,150	21,745	22,529	1,379	784
Attorney General					
General Fund	44,171	44,396	46,341	2,170	1,945
Special Revenue Fund	23,470	23,568	23,568	98	-
Environmental Fund	145	290	290	145	-
Remediation Fund	250	500	500	250	-
State Government Special Revenue Fund	4,811	4,820	4,985	174	165

STATE GOVERNMENT AND VETERANS

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
Federal Fund	5,100	6,246	6,246	1,146	-
Expenses in Multiple Funds	(697)	(752)	(752)	(55)	-
Total Attorney General:	77,250	79,068	81,178	3,928	2,110
Secretary of State					
General Fund	21,672	17,072	20,390	(1,282)	3,318
Special Revenue Fund	15,225	13,979	20,882	5,657	6,903
Total Secretary of State:	36,897	31,051	41,272	4,375	10,221
Campaign Finance and Public Disclosure Board					
General Fund	4,617	4,604	4,754	137	150
Special Revenue Fund	2,438	2,588	2,588	150	-
Total CFPDB:	7,055	7,192	7,342	287	150
State Board of Investment					
General Fund	278	278	278	-	-
Special Revenue Fund	11,104	13,858	13,858	2,754	-
Total Board of Investment:	11,382	14,136	14,136	2,754	-
Office of Administrative Hearings					
General Fund	797	800	800	3	-
Environmental Fund	100	100	100	-	-
Workers' Compensation Fund	15,589	15,644	15,662	73	18
Total OAH:	16,486	16,544	16,562	76	18
Office of MN.IT Services					
General Fund	8,710	5,358	15,358	6,648	10,000
Special Revenue Fund	339,692	507,098	507,098	167,406	-
Total MN.IT:	348,402	512,456	522,456	174,054	10,000
Department of Administration					
General Fund	49,806	51,982	54,240	4,434	2,258
Special Revenue Fund	91,237	92,353	92,503	1,266	150
Gift Fund	700	613	613	(87)	-
Federal Fund	5,628	6,759	6,759	1,131	-
Subtotal for Department of Administration:	147,371	151,707	154,115	6,744	2,408

STATE GOVERNMENT AND VETERANS

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
<i>Dedicated/Constitutional Funds</i>					
Arts and Cultural Heritage Fund	20,890	-	21,611	721	21,611
Endowment and Permanent School Fund	<u>1,304</u>	<u>600</u>	-	<u>(1,304)</u>	<u>(600)</u>
<i>Subtotal Dedicated/Const. Funds:</i>	<i>22,194</i>	<i>600</i>	<i>21,611</i>	<i>(583)</i>	<i>21,011</i>
Total Department of Administration:	169,565	152,307	175,726	6,161	23,419
Capitol Area Architectural and Planning Board					
General Fund	710	702	702	(8)	-
Special Revenue Fund	12	27	27	15	-
Total CAAP Board:	722	729	729	7	-
Department of Management and Budget					
General Fund	153,834	51,892	54,965	(98,869)	3,073
Special Revenue Fund	33,082	23,964	23,964	(9,118)	-
Opiate Epidemic Response Fund	-	-	300	300	300
Total MMB:	186,916	75,856	79,229	(107,687)	3,373
Department of Management and Budget - Non-Operating					
General Fund	94,438	95,432	115,932	21,494	20,500
State Government Special Revenue Fund	800	800	800	-	-
Workers' Compensation Fund	200	200	200	-	-
Debt Service Fund	398	-	-	(398)	-
Federal Fund	14,182	14,184	14,184	2	-
Total MMB Non-Operating:	110,018	110,616	131,116	21,098	20,500
Department of Revenue					
General Fund	310,418	314,868	331,765	21,347	16,897
Special Revenue Fund	14,867	14,658	14,698	(169)	40
Health Care Access Fund	3,503	3,520	3,520	17	-
Highway User Tax Distribution Fund	4,374	4,390	4,390	16	-
Environmental Fund	607	610	610	3	-
Total Department of Revenue:	333,769	338,046	354,983	21,214	16,937
Gambling Control Board					
Special Revenue Fund	6,886	6,944	6,944	58	-
Total Gambling Control Board:	6,886	6,944	6,944	58	-

STATE GOVERNMENT AND VETERANS

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
Racing Commission					
Special Revenue Fund	5,489	6,002	6,002	513	-
Total Racing Commission:	5,489	6,002	6,002	513	-
Minnesota Amateur Sports Commission					
General Fund	608	612	647	39	35
Special Revenue Fund	510	162	162	(348)	-
Gift Fund	1	-	-	(1)	-
Total MASC:	1,119	774	809	(310)	35
Council for Minnesotans of African Heritage					
General Fund	809	814	1,063	254	249
Total Council for Minnesotans of African Heritage:	809	814	1,063	254	249
Council on Latino Affairs					
General Fund	971	990	1,044	73	54
Special Revenue Fund	58	-	-	(58)	-
Gift Fund	11	-	-	(11)	-
Total Council on Latino Affairs:	1,040	990	1,044	4	54
Council on Asian-Pacific Minnesotans					
General Fund	922	930	1,025	103	95
Special Revenue Fund	41	40	40	(1)	-
Gift Fund	2	-	-	(2)	-
Total Council on Asian-Pacific Minnesotans:	965	970	1,065	100	95
Indian Affairs Council					
General Fund	1,165	1,172	1,699	534	527
Special Revenue Fund	521	-	-	(521)	-
Gift Fund	<u>16</u>	<u>20</u>	<u>20</u>	<u>4</u>	<u>-</u>
Subtotal for Indian Affairs Council:	1,702	1,192	1,719	17	527

STATE GOVERNMENT AND VETERANS

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
<i>Dedicated/Constitutional Funds</i>					
Arts and Cultural Heritage Fund	<u>2,776</u>	=	<u>3,550</u>	<u>774</u>	<u>3,550</u>
Subtotal Dedicated/Const. Funds:	<u>2,776</u>	-	<u>3,550</u>	<u>774</u>	<u>3,550</u>
Total Indian Affairs Council:	4,478	1,192	5,269	791	4,077
Minnesota Historical Society					
General Fund	52,762	45,636	46,486	(6,276)	850
Special Revenue Fund	<u>121</u>	=	=	(121)	=
Subtotal for MNHS:	52,883	45,636	46,486	(6,397)	850
<i>Dedicated/Constitutional Funds</i>					
Arts and Cultural Heritage Fund	<u>34,998</u>	=	<u>32,955</u>	(2,043)	<u>32,955</u>
Subtotal Dedicated/Const. Funds:	<u>34,998</u>	-	<u>32,955</u>	(2,043)	<u>32,955</u>
Total MNHS:	87,881	45,636	79,441	(8,440)	33,805
Board of the Arts					
General Fund	15,074	15,082	15,782	708	700
Special Revenue Fund	8	-	-	(8)	-
Gift Fund	40	-	-	(40)	-
Federal Fund	<u>1,556</u>	<u>1,566</u>	<u>1,566</u>	<u>10</u>	=
Subtotal for Board of the Arts:	16,678	16,648	17,348	670	700
<i>Dedicated/Constitutional Funds</i>					
Arts and Cultural Heritage Fund	<u>59,402</u>	=	<u>65,650</u>	<u>6,248</u>	<u>65,650</u>
Subtotal Dedicated/Const. Funds:	<u>59,402</u>	-	<u>65,650</u>	<u>6,248</u>	<u>65,650</u>
Total Board of the Arts:	76,080	16,648	82,998	6,918	66,350
Minnesota Humanities Center					
General Fund	<u>1,900</u>	<u>1,400</u>	<u>1,400</u>	(500)	=
Subtotal for Minnesota Humanities Center:	1,900	1,400	1,400	(500)	-
<i>Dedicated/Constitutional Funds</i>					
Arts and Cultural Heritage Fund	<u>6,047</u>	=	<u>6,400</u>	<u>353</u>	<u>6,400</u>
Subtotal Dedicated/Const. Funds:	<u>6,047</u>	-	<u>6,400</u>	<u>353</u>	<u>6,400</u>
Total Minnesota Humanities Center:	7,947	1,400	7,800	(147)	6,400

STATE GOVERNMENT AND VETERANS

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
Board of Accountancy					
General Fund	1,295	1,302	1,369	74	67
Total Board of Accountancy:	1,295	1,302	1,369	74	67
Board of Architecture, Engineering					
General Fund	1,604	1,612	1,706	102	94
Total Board of Architecture, Engineering:	1,604	1,612	1,706	102	94
Board of Cosmetologist Examiners					
General Fund	5,549	5,586	5,839	290	253
Total Board of Cosmetologist Examiners:	5,549	5,586	5,839	290	253
Board of Barber Examiners					
General Fund	684	686	686	2	-
Total Board of Barber Examiners:	684	686	686	2	-
Minnesota State Retirement System					
General Fund	30,032	30,262	30,262	230	-
Total MSRS:	30,032	30,262	30,262	230	-
Department of Military Affairs					
General Fund	53,440	46,240	48,756	(4,684)	2,516
Special Revenue Fund	6,139	5,944	5,944	(195)	-
Federal Fund	<u>153,220</u>	<u>208,827</u>	<u>208,827</u>	<u>55,607</u>	-
Subtotal for Department of Military Affairs:	212,799	261,011	263,527	50,728	2,516
<i>Dedicated/Constitutional Funds</i>					
Env and Natural Resources Trust Fund	<u>1,000</u>	=	=	(1,000)	=
<i>Subtotal Dedicated/Const. Funds:</i>	<u>1,000</u>	-	-	(1,000)	-
Total Department of Military Affairs:	213,799	261,011	263,527	49,728	2,516
Department of Veterans Affairs					
General Fund	152,162	158,646	159,655	7,493	1,009
Special Revenue Fund	228,113	241,735	239,735	11,622	(2,000)
Gift Fund	1,264	1,485	1,485	221	-
Federal Fund	<u>14,267</u>	-	-	(14,267)	-
Total Department of Veterans Affairs:	395,806	401,866	400,875	5,069	(991)

STATE GOVERNMENT AND VETERANS

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fest. Base
Totals by Fund					
General Fund	1,226,956	1,089,746	1,178,681	(48,275)	88,935
Special Revenue Fund	785,659	959,057	964,250	178,591	5,193
Health Care Access Fund	3,756	3,776	3,520	(236)	(256)
Highway User Tax Distribution Fund	4,374	4,390	4,390	16	-
Environmental Fund	852	1,000	1,000	148	-
Remediation Fund	250	500	500	250	-
State Government Special Revenue Fund	5,611	5,620	5,785	174	165
Workers' Compensation Fund	15,789	15,844	15,862	73	18
Opiate Epidemic Response Fund	-	-	300	300	300
Debt Service Fund	398	-	-	(398)	-
Gift Fund	2,080	2,118	2,118	38	-
Federal Fund	193,953	237,582	237,582	43,629	-
Expenses in Multiple Funds	(697)	(752)	(752)	-	-
Subtotal for Regular Funds:	2,238,981	2,318,881	2,413,236	174,255	94,355
<i>Dedicated/Constitutional Funds</i>					
Arts and Cultural Heritage Fund	124,125	-	130,172	6,047	130,172
Clean Water Fund	20	-	9	(11)	9
Outdoor Heritage Fund	2,126	-	1,125	(1,001)	1,125
Parks and Trails Fund	9	-	4	(5)	4
Env and Natural Resources Trust Fund	3,132	-	1,403	(1,729)	1,403
Endowment and Permanent School Fund	1,304	600	-	(1,304)	(600)
Minnesota Resources Fund	3	-	-	(3)	-
Subtotal Dedicated/Const. Funds:	130,719	600	132,713	1,994	132,113
Total for Budget Area	2,369,700	2,319,481	2,545,949	176,249	226,468

* As adjusted by FY 2019 changes made in the 2019 sessions.

Attorney General

The enacted budget appropriated a total of \$81.2 million in all funds for the Attorney General in FY 2020-21, \$46.3 million of which was from the General Fund. The General Fund appropriation was \$1.9 million, or 4.4 percent, more than the February 2019 forecast. Chapter 10 also appropriated \$5 million in FY 2020-21 from the State

Government Special Revenue Fund (SGSR), an increase of \$165,000 compared to the forecast. The General Fund and SGSR increases were to retain experienced staff attorneys.

Secretary of State

The enacted budget appropriated \$41.3 million in FY 2020-21 to the Secretary of

State, of which the General Fund direct appropriations totaled \$20.4 million. This included \$905,000 for an operating adjustment for the Secretary of State's office and \$250,000 for the safe at home program operated by the office to maintain confidential addresses for certain individuals fearing for their safety. The General Fund appropriations also included a one-time \$2 million appropriation in FY 2020 for grants to local units of government for electronic voting systems, assistive voting technology, and electronic roster systems ("e-poll books").

Chapter 10 also authorized the Secretary of State to spend \$6.6 million in federal funds that were made available to the state under the Help America Vote Act (HAVA) to improve the administration and security of elections. The funds require a five percent state match (\$330,000), which was provided in Chapter 10 through a one-time \$163,000 appropriation from the General Fund and a \$167,000 credit from qualifying funds already spent in 2018 and 2019 to increase secure access to the statewide voter registration system.

The enacted budget appropriated \$1.3 million in FY 2019 to the Secretary of State for court-ordered attorney fees relating to the U.S. Supreme Court decision in *Minnesota Voters Alliance v. Mansky* concerning the wearing of political insignia at polling places.

STATE AGENCIES

Office of MN.IT Services

The enacted budget appropriated \$15.4 million from the General Fund in FY 2020-21 to the Office of MN.IT Services (MN.IT).

This was a \$10 million, or 186.6 percent, increase over the February 2019 forecast, to improve cybersecurity across state government information technology systems. Chapter 10 also authorized the Commissioner of Management and Budget to provide cash flow assistance of up to \$50 million to MN.IT to be repaid with interest by the end of FY 2021. Since this money will be repaid within the biennium, it will not change biennial appropriations. The cash flow assistance authorization is smaller than in previous biennia, since agency IT services budgets were moved out of the General Fund and into the Special Revenue Fund, reducing pressure on MN.IT's cash flow conversion cycle.

MN.IT is also supported by the MN.IT Services Revolving Fund, which receives state agency reimbursements for services provided to agencies. MN.IT charges other state agencies for computer services; telecommunication services; enterprise application development; establishment of information technology standards; and MN.IT's internal security, planning, and management operations. Estimated MN.IT spending from the MN.IT Fund in FY 2020-21 is \$401.1 million.

Chapter 10 cancelled \$220,000 in the information and telecommunications technology systems and services account (ITA) in the Special Revenue Fund to the General Fund in FY 2019. At the end of a fiscal biennium, agencies may, with certain conditions, transfer unexpended operating balances into the ITA to fund specific information technology projects at the agency. The cancellation under Chapter 10 only applied to certain unencumbered funds that were no longer needed for a specified project.

STATE GOVERNMENT AND VETERANS

Table 2 - State Government and Veterans General Fund Changes Compared to Forecast <i>(dollars in thousands)</i>						
Appropriation Changes by Agency	FY 2020*	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Legislature						
Senate Operating Adjustment	2,761	3,549	6,310	3,549	3,549	7,098
Senate Carryforward Adj, FY 2019	5,000	-	5,000	-	-	-
House Operating Adjustment	5,037	6,474	11,511	6,474	6,474	12,948
LCC Operating Increase	1,891	2,898	4,789	2,898	2,898	5,796
OLA - DPS and MNDOT Program Audits	200	-	200	-	-	-
OLA - MNLARS Review, FY 2019	100	-	100	-	-	-
LBO Expansion	86	665	751	375	376	751
Total Legislature	15,075	13,586	28,661	13,296	13,297	26,593
State Auditor						
Operating Adjustment	259	525	784	525	525	1,050
Attorney General						
Operating Adjustment	630	1,315	1,945	1,315	1,315	2,630
Secretary of State						
Operating Adjustment	392	513	905	513	513	1,026
Help America Vote Act Funds Match	163	-	163	-	-	-
Safe at Home Program	125	125	250	125	125	250
Litigation Costs, FY 2019	1,290	-	1,290	-	-	-
Election Equipment Grants	2,000	-	2,000	-	-	-
Total Secretary of State	3,970	638	4,608	638	638	1,276
Campaign Finance and Public Disclosure Board						
Operating Adjustment	75	75	150	75	75	150
Office of MN.IT Services						
Cybersecurity Enhancements	5,000	5,000	10,000	5,000	5,000	10,000
Department of Administration						
In Lieu of Rent Increase	-	500	500	500	500	1,000
Operating Adjustment	76	56	132	56	56	112
2020 Census Mobilization and Outreach	1,600	-	1,600	-	-	-
AMBER Alert System Upgrades	200	200	400	200	200	400

STATE GOVERNMENT AND VETERANS

Appropriation Changes by Agency	FY 2020*	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Transfer School Trust Lands Base to DNR	(187)	(187)	(374)	(187)	(187)	(374)
Transfer Film Board Base to DEED	-	-	-	(162)	(162)	(324)
Total Department of Administration	1,689	569	2,258	407	407	814
Department of Management and Budget						
Enterprise Systems	250	-	250	-	-	-
Operating Adjustment	404	525	929	525	525	1,050
Results First Expansion	205	252	457	252	252	504
Results-Based Eval Activities - HHS	498	498	996	498	498	996
Results-Based Eval Activities - Opiate Response	300	-	300	-	-	-
Total MMB	1,657	1,275	2,932	1,275	1,275	2,550
Department of Management and Budget - Non-Operating						
Becker/Wright Counties Legal Fees Reimb.	141	-	141	-	-	-
Indirect Cost Receipts Offset Adjustment	250	250	500	250	250	500
Total MMB Non-Operating	391	250	641	250	250	500
Department of Revenue						
Operating Adjustment	3,775	6,722	10,497	6,722	6,722	13,444
Taxpayer Assistance Grants	200	200	400	200	200	400
Tax Bill Administration Costs	3,000	3,000	6,000	3,000	3,000	6,000
Total Department of Revenue	6,975	9,922	16,897	9,922	9,922	19,844
Minnesota Amateur Sports Commission						
Operating Adjustment	35	-	35	-	-	-
Council for Minnesotans of African Heritage						
Expand Operations	124	125	249	125	125	250
Council on Latino Affairs						
Operating Adjustment	24	30	54	30	30	60
Council on Asian-Pacific Minnesotans						
Operating Adjustment	45	50	95	50	50	100
Indian Affairs Council						
Operating Adjustment	267	260	527	260	260	520

STATE GOVERNMENT AND VETERANS

Appropriation Changes by Agency	FY 2020*	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Minnesota Historical Society						
Operating Adjustment	150	700	850	700	700	1,400
Board of the Arts						
Office Relocation	700	-	700	-	-	-
Minnesota Humanities Center						
Transfer Healthy Eating Base to Ag.	-	-	-	(325)	(325)	(650)
Board of Accountancy						
Operating Adjustment	43	24	67	24	24	48
Board of Architecture, Engineering						
Operating Adjustment	49	45	94	45	45	90
Board of Cosmetologist Examiners						
Operating Adjustment	111	142	253	142	142	284
Public Employee Retirement Association						
Minneapolis Employees Retirement Fund Aid	10,000	10,000	20,000	10,000	10,000	20,000
Department of Military Affairs						
Enlistment Incentives	1,000	1,000	2,000	1,000	1,000	2,000
Reintegration Programs	258	258	516	258	258	516
Total Department of Military Affairs	1,258	1,258	2,516	1,258	1,258	2,516
Department of Veterans Affairs						
Programs and Services Operating Adjustment	173	371	544	371	371	742
Veterans Cemeteries Operating Adjustment	375	400	775	400	400	800
C.O.R.E. Expansion	250	250	500	250	250	500
Armed Forces Service Center Grant	100	-	100	-	-	-
Medal of Honor Memorial	150	-	150	-	-	-
Cancel: Veterans Journey Home, FY 2019	(350)	-	(350)	-	-	-
Medical Services Provider Realignment	(530)	(530)	(1,060)	(530)	(530)	(1,060)
Total Department of Veterans Affairs	168	491	659	491	491	982
Total General Fund Changes	48,695	46,280	94,975	45,503	45,504	91,007

* As adjusted by FY 2019 changes made in the 2019 sessions.

Department of Administration

Chapter 10 appropriated a total of \$54.2 million from the General Fund in FY 2020-21 to the Department of Administration. This represents an increase of \$2.3 million, or 4.3 percent, over the February 2019 forecast. The appropriation included additional funding for increased compensation costs, maintenance of the current level of agency operations, and expansion of the State Demographic Center's outreach and engagement efforts related to the federal 2020 census. Funding for the School Trust Lands director (\$374,000) was transferred from the Department of Administration's base to that of the Department of Natural Resources.

Chapter 10 appropriated \$19.3 million from the General Fund for in lieu of rent, an increase of \$500,000 over forecast. This increase paid for increased space costs for the Legislature, congressionally chartered veterans' organizations, services for the blind vending operators, ceremonial areas in the capitol and the Governor's residence, and ceremonial grounds and monuments and memorials in the capitol area. The department also acts as the fiscal agent for \$21.6 million appropriated from the constitutionally dedicated Legacy funds, for activities such as public broadcasting, zoos, and museums. (See Appendix F, page 177, for details on the Omnibus Legacy Funds Act.)

Over 80 percent of Department of Administration functions are funded with nongeneral fund appropriations, consisting primarily of internal service and enterprise funds. Internal service funds are established with deposits of fees charged primarily to state agencies for support services, such as insurance, fleet management, consulting, sale of office supplies, mail services, and the leasing of facilities under the custodial

control of the Department of Administration. Enterprise funds are generated through fees charged to governmental entities, citizens, and businesses through the state bookstore, surplus property sales, and cooperative purchasing of products and services. Appropriations from internal service and enterprise funds totaled \$282.2 million in FY 2020-21.

The Department of Administration serves as the fiscal agent for public broadcasting grants that totaled \$5.6 million in FY 2020-21, which included \$400,000 in increased funding for MN Emergency Alert and AMBER Alert system upgrades. In addition, a \$324,000 appropriation from the General Fund to the Minnesota Film and TV Board in the Department of Administration's base will be transferred to that of the Department of Employment and Economic Development (DEED) beginning in FY 2022-23.

Department of Management and Budget

The enacted budget appropriated \$55 million in FY 2020-21 from the General Fund to the Department of Management and Budget (MMB). This appropriation was \$3.1 million, or 5.9 percent, more than the February 2019 forecast. Of this amount, \$1.2 million was for enhanced enterprise systems, increased compensation costs, and maintenance of the current level of agency operations. An additional \$457,000 was to add 2.5 full-time equivalent (FTE) employees to MMB's Results First team, which collects and analyzes data in identified priority areas to help legislators, executive branch officials, local governments, and other stakeholders improve policymaking outcomes through evidence-based analysis.

Chapter 10 also appropriated \$141,000 one-time in non-operating money for MMB to

reimburse Becker and Wright Counties for legal fees incurred in a lawsuit brought against them by the State Auditor over their authority to hire a private auditor to conduct their annual financial audits.

MMB also received appropriations of \$996,000 in [2019 First Special Session, Chapter 9](#), the Omnibus Health and Human Services Act, and \$300,000 one-time in FY 2020 in [Chapter 63](#), the Opiate Epidemic Response Act, to evaluate the effectiveness of programs in those areas.

Department of Revenue

The enacted budget appropriated \$355 million in FY 2020-21 to the Department of Revenue (DOR), of which \$331.8 million, or 93.5 percent, was from the General Fund. The General Fund appropriations to the DOR were an increase of \$16.9 million, or 5.1 percent, over the February 2019 forecast, and were contained in Chapter 10 and [2019 First Special Session, Chapter 6](#), the Omnibus Tax Act. Chapter 10 included a new General Fund appropriation of \$10.5 million to meet increased compensation costs and maintain the current level of agency operations. Chapter 6 appropriated \$6.4 million in FY 2020-21 from the General Fund to the DOR, of which \$6 million was to administer the tax changes enacted in that chapter, and \$400,000 was for taxpayer assistance grants.

Office of Administrative Hearings

Chapter 10 appropriated \$16.6 million in all funds to the Office of Administrative Hearings (OAH) in FY 2020-21. Of this amount, \$15.7 million is from the Workers' Compensation Fund. This includes an increase of \$18,000 compared to the February 2019 forecast for salary increases for the assistant chief administrative law judge and

OAH supervisory judges to correct an error made during salary adjustments in the 2017 legislative session. The remainder of OAH's appropriation, \$800,000, is from the General Fund.

Receipts in the Administrative Hearings Fund are generated by charges to other state agencies and local governments for hearing costs involving public challenges to government actions. These receipts are statutorily appropriated to the OAH and are expected to total approximately \$5.9 million in FY 2020-21.

Gambling Control Board

Chapter 10 appropriated \$6.9 million in FY 2020-21 to the Gambling Control Board to maintain regulatory oversight of lawful gambling. The appropriation was from the lawful gambling regulation account in the Special Revenue Fund and was unchanged from the February 2019 forecast.

Racing Commission

The Racing Commission's FY 2020-21 budget was \$6 million in all funds from direct and statutory appropriations for the Racing Commission's administrative and regulatory expenses, and for the Breeders' Fund, which provides support to the horse industry. The revenue for these appropriations is derived from racetrack fees, card club fees, occupational license fees, and reimbursements. Chapter 10 appropriated \$1.8 million to the commission from the Special Revenue Fund for FY 2018-19, unchanged from the February 2019 forecast.

Chapter 10 also made several statutory changes to provide appropriations to the Racing Commission in the event a budget is not enacted by July 1 of an odd-numbered year, including:

- the creation of a statutory appropriation from the racing and card playing regulation account in the Special Revenue Fund to the Racing Commission;
- the addition of regulatory fees received by the Racing Commission to a list of other receipts already statutorily appropriated to the Racing Commission; and
- the creation of a statutory appropriation from the General Fund to the Racing Commission for accounting, procurement, payroll, and human resources functions.

State Lottery

Revenue from the state lottery, minus an amount sufficient to pay lottery prizes, is deposited in the State Lottery Fund outside the state treasury for operation of the state lottery and for transfer to other funds. Chapter 10 limited the State Lottery's operating budget to \$35 million in FY 2020 and \$36.5 million in FY 2021.

Total lottery sales revenues for FY 2020-21 were \$1.1 billion. Total payments to the state from these revenues in FY 2020-21 were \$271 million, and are allocated to the General Fund, Environment and Natural Resources Trust Fund, Game and Fish Fund, Natural Resources Fund, and compulsive gambling appropriations.

Amateur Sports Commission

Chapter 10 appropriated \$647,000 to the Amateur Sports Commission from the General Fund in FY 2020-21. This amount includes a \$35,000 operating increase in the commission's budget.

Minnesota Historical Society

Chapter 10 appropriated a total of \$46.5 million from the General Fund in FY 2020-21 to the Minnesota Historical Society (MHS). This amount includes an \$850,000 increase, compared to the February 2019 forecast, for compensation costs and maintenance of the current level of agency operations.

[2019 First Special Session, Chapter 2](#), the Omnibus Legacy Funds Act, appropriated \$33 million to MHS in FY 2020-21 from the Arts and Cultural Heritage Fund, for grants to local, county, regional, and other historical or cultural organizations. (See Appendix F on page 177 for a detailed display of the Arts and Cultural Heritage Fund).

Councils

Chapter 10 increased the direct appropriations from the General Fund in FY 2020-21 for each of the four ethnic councils by a total of \$865,000 above the February 2019 forecast. The increased appropriations maintain the current level of agency operations and pay for increased compensation for each of the councils. Specifically, the appropriations were \$1.1 million to the Minnesota African Heritage Council (\$249,000 increase, including 1.5 new FTEs), \$1 million to the Minnesota Council on Latino Affairs (\$54,000 increase), \$1 million to the Council on Asian-Pacific Minnesotans (\$95,000 increase), and \$1.7 million to the Indian Affairs Council (\$527,000 increase).

Licensing Boards

Appropriations for the operations of the state licensing boards are made from the General Fund. Fee revenue is not retained by the boards and is deposited in the General Fund

as a nondedicated receipt. Chapter 10 contained appropriations in FY 2020-21 for the following boards:

- \$686,000 to the Board of Barber Examiners, unchanged from the forecast;
- \$1.7 million to the Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design, an increase of \$94,000, or 5.8 percent, above the forecast, for increased compensation costs and maintenance of the current level of agency operations;
- \$1.4 million to the Board of Accountancy, an increase of \$67,000, or 5.1 percent, above the forecast, for increased compensation costs and maintenance of the current level of agency operations. Elimination of the CPA examination application fee will result in a loss of approximately \$210,000 in fee revenue deposited in the General Fund in FY 2020-21 (see Table 3 on page 149); and
- \$5.8 million to the Board of Cosmetologist Examiners, an increase of \$253,000, or 4.5 percent, above the forecast, for increased compensation costs and maintenance of the current level of agency operations. Modifications to the licensing of hair braiders will result in a loss of approximately \$6,000 in fee revenue deposited in the General Fund in FY 2020-21 (see Table 3 on page 149).

Department of Military Affairs

Chapter 10 appropriated \$48.8 million in FY 2020-21 from the General Fund to the Department of Military Affairs (MDMA), which is approximately 18.5 percent of MDMA's all funds budget of \$263.5 million for FY 2020-21.

The General Fund appropriation in FY 2020-21 increased by \$2.5 million, or 5.4 percent, compared to the February 2019 forecast. Of this increase, \$2 million was to maintain FY 2018-19 levels of funding in the incentives programs to recruit and retain National Guard service members. The total amount appropriated for enlistments in FY 2020-21 was \$22.2 million. The remainder of the increase (\$516,000) was to sustain reintegration programs that support service members and their families throughout the deployment cycle.

Department of Veterans Affairs

Chapter 10 appropriated \$159.7 million in FY 2020-21 from the General Fund to the Department of Veterans Affairs (MDVA), which is 39.8 percent of MDVA's all funds budget of \$400.9 million for FY 2020-21.

The General Fund appropriation in FY 2020-21 increased by \$1 million, or 0.7 percent, compared to the February 2019 forecast, representing \$2.1 million in new spending offset by \$1.1 million in savings. The increase included \$1.3 million for increased compensation costs and maintenance of current levels of agency operations at the department and the state's veterans cemeteries; \$500,000 for expansion of the Counseling and Case Management, Outreach, Referral, and Education (C.O.R.E.) program that provides mental health services for veterans; \$150,000 one-time for a Medal of Honor memorial on the Minnesota Capitol grounds; and \$100,000 for a one-time grant to the Armed Forces Service Center used by service members traveling through the Minneapolis-St. Paul International Airport.

The offsetting savings were realized by decreasing the appropriation to MDVA for veterans health care. The agency expects to

find efficiencies by realigning its service providers to better work to their levels of licensure and expects to eliminate approximately five FTEs through attrition while maintaining its current level of service. The total savings was \$2 million in FY 2020-21, with \$1.1 million in the General Fund and the remainder in the Special Revenue Fund. Chapter 10 also cancelled the unused FY 2019 balance (\$350,000) of a one-time grant to the Veterans Journey Home organization.

Chapter 10 also included the following appropriations, each at forecasted funding, for FY 2020-21:

- \$706,000 for grants to specified veterans service organizations including the Disabled American Veterans Military Order of the Purple Heart, the American Legion, Veterans of Foreign Wars, Vietnam Veterans of America, AMVETS, and Paralyzed Veterans of America;
- \$1.5 million for a grant to the Minnesota Assistance Council for Veterans;
- \$400,000 for honor guards at funerals for service members;
- \$400,000 for administrative costs of Minnesota's GI Bill;
- \$200,000 to administer the gold star program for surviving family members of deceased veterans; and
- \$2.2 million for the county veterans service office grant program, which helps counties better connect veterans to services offered by the counties.

Other

Chapter 10 also appropriated money in FY 2020-21 to the following agencies and programs:

- \$2.2 million from the General Fund to the Campaign Finance and Public Disclosure Board, an increase of \$150,000, or 7.2 percent, compared to the forecast, for increased compensation costs and maintenance of the current level of agency operations;
- \$15.8 million from the General Fund, including a one-time \$700,000 appropriation for relocation costs, and \$65.7 million from the Arts and Cultural Heritage Fund to the Minnesota State Arts Board (see Appendix F on page 177);
- \$6.4 million from the Arts and Cultural Heritage Fund (see Appendix F on page 177) and \$1.4 million from the General Fund to the Minnesota Humanities Center, including \$650,000 in base funding for grants for the healthy eating here at home program to provide incentives for low-income Minnesotans to use federal Supplemental Nutrition Assistance Program (SNAP) benefits for purchases at Minnesota-based farmers markets, which will be transferred to the Department of Agriculture's base in FY 2022-23;
- \$702,000 from the General Fund to the Capitol Area Architectural and Planning Board, unchanged from the February 2019 forecast;
- \$278,000 from the General Fund for the operations of the State Board of Investment, with the remainder of the board's \$14.1 million biennial budget

STATE GOVERNMENT AND VETERANS

generated from statutorily appropriated fees assessed against the assets of the funds that the board invests;

- \$322,000 from the General Fund to cover tort claims made against the state; and
- \$1.5 million for contingent accounts, including \$500,000 from the General Fund, \$800,000 from the State Government Special Revenue Fund, and \$200,000 from the Workers' Compensation Fund, to support eligible and unexpected spending needs from those funds.

PENSIONS

Chapter 10 appropriated \$145.1 million from the General Fund in FY 2020-21 for public

retirement fund programs. Specifically, the act included \$30.3 million for both the consolidated legislators and constitutional officer plan and the judges plan, \$12 million for the state contribution to the Public Employees Retirement Association (PERA) to reduce Minneapolis Employees Retirement Fund (MERF) unfunded liabilities, \$13.5 million in direct aid to the PERA Police and Fire Retirement Plan, \$59.7 million to reduce the unfunded liabilities of the Statewide Teachers Retirement Fund, and \$29.7 million for the St. Paul Teachers' Retirement Plan. Chapter 6 increased the statutory appropriation to PERA from the General Fund for the state's contribution to MERF by \$10 million annually, resulting in a \$20 million increase for FY 2020-21.

Table 3 - State Government and Veterans Revenue Changes Compared to Forecast <i>(dollars in thousands)</i>							
Revenue Changes by Agency	Fund	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Board of Accountancy							
CPA Exam Application Fee Elimination	General	(105)	(105)	(210)	(105)	(105)	(210)
Total Board of Accountancy		(105)	(105)	(210)	(105)	(105)	(210)
Board of Cosmetologist Examiners							
Hair Braiders Licensing Exemption	General	(3)	(3)	(6)	(3)	(3)	(6)
Total Board of Cosmetologist Examiners		(3)	(3)	(6)	(3)	(3)	(6)
Total Revenue Changes by Fund							
General Fund		(108)	(108)	(216)	(108)	(108)	(216)
Total Revenue Changes for Budget Area		(108)	(108)	(216)	(108)	(108)	(216)

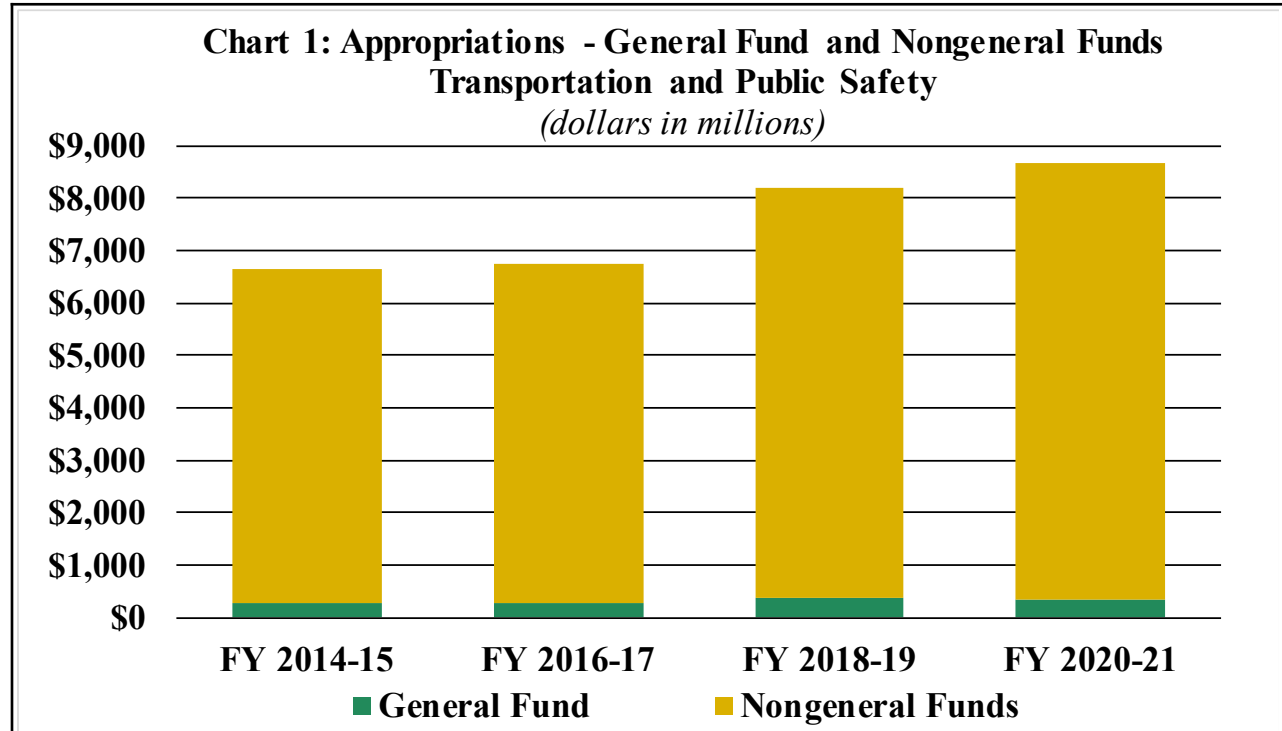
CHAPTER 11

TRANSPORTATION AND PUBLIC SAFETY

The Transportation and Public Safety budget, which contained appropriations for the Department of Transportation (MnDOT), the Metropolitan Council, and the Department of Public Safety (DPS), was enacted in [2019 First Special Session, Chapter 3](#). The enacted budget appropriated a total of \$8.7 billion in all funds for FY 2020-21, of which only \$331.2 million, or 3.8 percent, was from the General Fund.

The Transportation and Public Safety all funds appropriations increased in each of the past three biennia. Chart 1 displays Transportation and Public Safety

appropriations since FY 2014-15 and divides each biennium between the General Fund and the nongeneral funds. The enacted all funds budget in FY 2020-21 totaled \$8.7 billion, an increase of \$472 million, or 5.8 percent, more than the February 2019 forecast, and an increase of \$450 million, or 5.5 percent, more than FY 2018-19. The FY 2018-19 all funds appropriations totaled \$8.2 billion, an increase of \$1.5 billion, or 21.7 percent, more than FY 2016-17. The FY 2016-17 all funds appropriations totaled \$6.7 billion, an increase of \$94.2 million, or 1.4 percent, above FY 2014-15.



General Fund appropriations in FY 2020-21 totaled \$331.2 million, an increase of \$83.8 million, or 33.9 percent, more than the February 2019 forecast, and a decrease of \$36.7 million, or ten percent, less than FY 2018-19 appropriations. FY 2018-19 General Fund appropriations totaled \$367.9 million, an increase of \$93.1 million, or 33.9 percent, more than FY 2016-17. FY 2016-17 General Fund appropriations totaled \$274.7 million, an increase of \$4.4 million, or 1.6 percent, above FY 2014-15.

As shown in Table 1, \$7.2 billion of the all funds total in FY 2020-21 was appropriated to MnDOT, \$841.4 million was appropriated to the Metropolitan Council for metro-area transit operations, and \$609.3 million was appropriated to DPS for transportation-related programs.

DEPARTMENT OF TRANSPORTATION

The enacted budget appropriated a total of \$7.2 billion to MnDOT in FY 2020-21, an increase of \$397.8 million, or 5.8 percent, over FY 2018-19, and an increase of \$336.7 million, or 4.9 percent, over the February 2019 forecast. Of MnDOT's total appropriations, \$3.5 billion, or 48.6 percent, was from the Trunk Highway Fund (THF), which receives revenues from the motor fuels tax, vehicle registration tax, and motor vehicle sales tax (MVST), as well as from sales taxes on motor vehicle repair parts, motor vehicle rentals, and motor vehicle leases.

The THF also receives federal highway aid for road construction. In FY 2020-21, federal highway aid was \$918 million, or 26.2 percent of MnDOT's total THF appropriation.

Aeronautics

Chapter 3 directly appropriated \$53.9 million in FY 2020-21 for aeronautics. Of this total, \$37.2 million was from the State Airports Fund for airport development and assistance grants, which was a \$6.6 million increase above the February 2019 forecast. The remainder of the appropriations were for aeronautics operations in FY 2020-21, with \$13.5 million from the State Airports Fund and \$3.3 million from the THF. The aeronautics operations appropriation from the State Airports Fund was \$2.8 million over the February 2019 forecast, and included the forecasted amount of \$160,000 in FY 2020-21 for civil air patrol operations.

Chapter 3 contained rate changes to the air transportation service charge, which agencies pay to MnDOT for the use of its aircraft to conduct state business. Under previous law, the allowable charge for these services included only direct operating costs, while inclusion of the costs of pilot salaries and aircraft acquisition was specifically prohibited. The enacted budget removed these restrictions and allowed the rate to include all operating costs as allowed by federal aviation law.

The money collected for operating costs will continue to be deposited in a revolving account in the State Airports Fund and is statutorily appropriated for air service operations and maintenance. The revenue from the portion of the charges for aircraft acquisition will be deposited in a newly created aircraft capital account in the State Airports Fund and must be directly appropriated for future aircraft purchase, replacement, or leasing. The estimated revenue increase in FY 2020-21 from these changes was \$404,000.

TRANSPORTATION AND PUBLIC SAFETY

Table 1 - Transportation and Public Safety All Funds Biennial Spending/Appropriations by Agency and Fund <i>(dollars in thousands)</i>					
Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst. Base
Department of Transportation					
General Fund	56,191	38,750	41,249	(14,942)	2,499
Trunk Highway Fund	3,416,042	3,176,041	3,499,872	83,830	323,831
State Airports Fund	61,739	43,324	52,724	(9,015)	9,400
County State Aid Highway Fund	1,520,211	1,733,333	1,734,116	213,905	783
Municipal State Aid Street Fund	391,044	435,574	435,779	44,735	205
Special Revenue Fund	218,855	221,714	221,714	2,859	-
Highway User Tax Distribution Fund	252	270	270	18	-
Transit Assistance Fund	163,372	152,640	152,640	(10,732)	-
Federal Fund	958,484	1,045,086	1,045,086	86,602	-
Endowment Fund	-	451	451	451	-
911 Emergency Fund	19,296	19,350	19,350	54	-
Expenses in Multiple Funds	(351)	=	=	351	=
Subtotal for Dept. of Transportation:	6,805,135	6,866,533	7,203,251	398,116	336,718
<i>Dedicated/Constitutional Funds</i>					
Env and Natural Resources Trust Fund	345	-	-	(345)	-
Total Dept of Transportation:	6,805,480	6,866,533	7,203,251	397,771	336,718
Metropolitan Council					
General Fund	250,851	179,640	203,010	(47,841)	23,370
Transit Assistance Fund	572,033	638,388	638,388	66,355	-
Total Metropolitan Council:	822,884	818,028	841,398	18,514	23,370
Department of Public Safety					
General Fund	60,838	29,065	86,966	26,128	57,901
Trunk Highway Fund	216,045	223,928	229,825	13,780	5,897
Highway User Tax Distribution Fund	20,971	21,021	18,616	(2,355)	(2,405)
Special Revenue Fund	203,433	144,388	194,913	(8,520)	50,525
Gift Fund	185	186	186	1	-
Federal Fund	76,810	81,757	81,757	4,947	-
Natural Resources Fund	4	8	8	4	-

TRANSPORTATION AND PUBLIC SAFETY

Agency / Fund	FY 2018-19 Spending*	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst. Base
911 Emergency Fund	87	208	208	121	-
Expenses in Multiple Funds	(2,756)	(3,146)	(3,146)	(390)	-
Total Dept. of Public Safety:	575,617	497,415	609,333	33,716	111,918
Totals by Fund					
General Fund	367,880	247,455	331,225	(36,655)	83,770
Trunk Highway Fund	3,632,087	3,399,969	3,729,697	97,610	329,728
State Airports Fund	61,739	43,324	52,724	(9,015)	9,400
County State Aid Highway Fund	1,520,211	1,733,333	1,734,116	213,905	783
Municipal State Aid Street Fund	391,044	435,574	435,779	44,735	205
Special Revenue Fund	422,288	366,102	416,627	(5,661)	50,525
Highway User Tax Distribution Fund	21,223	21,291	18,886	(2,337)	(2,405)
Transit Assistance Fund	735,405	791,028	791,028	55,623	-
Federal Fund	1,035,294	1,126,843	1,126,843	91,549	-
Gift Fund	185	186	186	1	-
Endowment Fund	-	451	451	451	-
911 Emergency Fund	19,383	19,558	19,558	175	-
Natural Resources Fund	4	8	8	4	-
Expenses in Multiple Funds	(3,107)	(3,146)	(3,146)	(39)	-
Subtotal for Regular Funds:	8,203,636	8,181,976	8,653,982	450,346	472,006
<i>Dedicated/Constitutional Funds</i>					
<i>Env and Natural Resources Trust Fund</i>	345	-	-	(345)	-
Total for Budget Area	8,203,981	8,181,976	8,653,982	450,001	472,006

* As adjusted by FY 2019 changes made in the 2019 sessions.

Greater Minnesota Transit

The enacted budget appropriated \$189.6 million in FY 2020-21 to MnDOT for assistance to locally run transit services outside of the seven-county metropolitan area. This was an increase of \$6.6 million, or 3.6 percent, compared to FY 2018-19, and an increase of \$730,000, or 0.4 percent, compared to the February 2019 forecast. This increase included a one-time \$650,000

appropriation from the General Fund in FY 2020 for a study to extend the Northstar commuter rail line from Big Lake to St. Cloud.

The majority of the greater Minnesota transit appropriations (80.5 percent) were statutorily appropriated from the Transit Assistance Fund, which receives portions of MVST revenues and motor vehicle leasing sales tax (MVLST) revenues. The remainder of the

state funding was directly appropriated from the General Fund (18.5 percent) and THF (one percent).

Total MVST revenues are constitutionally dedicated for transportation purposes, with 60 percent allocated to the Highway User Tax Distribution Fund (HUTDF) for state and local roads, 36 percent to the metropolitan area transit account in the Transit Assistance Fund, and four percent to the greater Minnesota transit account in the Transit Assistance Fund.

MVLST revenues are statutorily dedicated, and the greater Minnesota transit account receives 38 percent of total MVLST revenues. The remainder of MVLST revenues are allocated to the County State-Aid Highway Fund (CSAH) for roads and bridges in metropolitan counties, excluding Hennepin and Ramsey counties (38 percent); the State Transportation Fund for repair and replacement of local bridges (13 percent); and the HUTDF (11 percent).

Passenger Rail

Chapter 3 appropriated \$1 million from the General Fund in FY 2020-21 for the passenger rail office, which coordinates the development of future passenger rail corridors and provides technical support for regional rail planning and development. This funding is the same as the forecast.

Freight

Chapter 3 appropriated \$2.3 million from the General Fund for freight operations in FY 2020-21, of which \$160,000 was a one-time appropriation for a port development project in Winona. This project was funded with a General Fund appropriation in FY 2018 but was not completed before the scheduled

cancellation of the appropriation at the end of FY 2019. Therefore, the remaining unencumbered amount of \$160,000 was cancelled in FY 2019 and reappropriated for the same purpose in FY 2020.

The enacted FY 2020-21 budget also appropriated \$11.4 million for freight from the THF, which was an increase of \$350,000, or 3.2 percent, over the February 2019 forecast.

Safe Routes to School

Chapter 3 appropriated \$1 million in FY 2020-21 from the General Fund for grants to local jurisdictions for safe routes to school projects that encourage walking and bicycling to school. The funding for this program is the same as the forecast. MnDOT also awards grants using funds from the federal safe routes to school program.

State Roads

Of the \$3.5 billion of total THF spending by MnDOT in FY 2020-21, \$1.9 billion, or 54.7 percent, was appropriated for state road construction, engineering, and design. This included \$918 million of federal highway funds in FY 2020-21. The total state road construction appropriation was a decrease of \$23.5 million, or 1.2 percent, from FY 2018-19 but an increase of \$150 million, or 8.8 percent, above the February 2019 forecast.

Chapter 3 also appropriated \$728.1 million in FY 2020-21 from the THF for state road operations and maintenance, an increase of \$98 million, or 15.6 percent, over the February 2019 forecast. In addition, the biennial THF appropriation for state road program delivery increased by \$25.1 million over its \$426.9 million forecast amount, an increase of 5.9 percent.

Chapter 3 appropriated the forecasted amount of \$62.4 million from the THF for the biennium for state road planning and research, but also appropriated \$1.1 million one-time from the General Fund in this area for highway corridor and bridge improvement studies.

The enacted budget appropriated \$487.2 million in FY 2020-21 from the THF for debt service payments on previously authorized trunk highway bonds for state road construction.

Local Roads

Chapter 3 appropriated \$1.7 billion in FY 2020-21 from the County State-Aid Highway Fund (CSAH) for construction and maintenance of county state-aid roads and \$420 million from the Municipal State-Aid Street Fund (MSAS) for construction and maintenance of municipal state-aid roads, increases of 8.3 percent in both appropriations over FY 2018-19. CSAH funds are allocated to all 87 counties based on a statutory formula that weighs each county's motor vehicle registrations, total lane-miles of county state-aid highways, and estimated CSAH construction cost needs. MSAS funds are statutorily allocated to cities with a population of 5,000 or greater, with half of the money distributed according to relative city population and half according to relative estimated MSAS construction cost needs.

Agency Management

Chapter 3 appropriated \$201.4 million in FY 2020-21 for MnDOT agency management, including administration, financial services, building management, and tort claims. This amount included \$200.7 million from the THF and \$735,000 from the General Fund.

This appropriation was an increase of \$50.4 million, or 25 percent, over the February 2019 forecast. This included biennial THF increases of \$17.2 million for agency services and \$32.4 million for building services, as well as one-time appropriations of \$627,000 from the THF and \$200,000 from the General Fund to pay for costs of developing and conducting further tribal-state relations training for state employees.

METROPOLITAN COUNCIL

Chapter 3 directly appropriated a total of \$203 million from the General Fund in FY 2020-21 to the Metropolitan Council for metropolitan transit system operations, transportation planning, and Metro Mobility operations. This was a decrease of \$47.8 million, or 19.1 percent, from FY 2018-19 spending, but an increase of \$23.4 million, or 13 percent, over the February 2019 forecast.

The majority of the General Fund increase, \$23.2 million, was for Metro Mobility, the agency's federally-mandated shared-ride public transportation service for riders with disabilities who are unable to use the regular fixed-route transit service. In previous Omnibus Transportation and Public Safety Acts, the Metropolitan Council received one General Fund appropriation for all transportation-related services, including Metro Mobility. Chapter 3 established separate base appropriations for Metro Mobility and other transit system operations. The \$23.2 million additional appropriation for Metro Mobility was an increase of 20.3 percent over its February 2019 forecast base. Metropolitan Council also received a one-time \$200,000 General Fund appropriation in FY 2020 for continuation of a suburban transit route pilot project, but the remainder of transit system operations received forecasted General Fund appropriations.

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In addition, Chapter 3 contained a one-time General Fund appropriation in FY 2021 for Metro Mobility, contingent upon the FY 2018-19 General Fund closing balance. If the actual FY 2018-19 closing balance exceeds the FY 2018-19 closing balance projected at

the end of the 2019 legislative session, the increase (up to \$13 million) is appropriated to Metro Mobility in FY 2021. (See pages 24 and 187 for detailed discussions of contingent appropriations.)

Table 2 - Transportation and Public Safety General Fund Changes Compared to Forecast <i>(dollars in thousands)</i>						
Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Department of Transportation						
Northstar Rail Extension Study	650	-	650	-	-	-
Port Development Carryforward	160	-	160	-	-	-
Hwy and Bridge Improvement Studies	1,062	-	1,062	-	-	-
Tribal Training	311	316	627	-	-	-
FY 2019 Port Development Cancellation	(160)	-	(160)	-	-	-
Dept of Transportation Total	2,023	316	2,339	-	-	-
Metropolitan Council						
Suburban Transit Pilot Route	200	-	200	-	-	-
Metro Mobility changes	23,170	-	23,170	(750)	(1,190)	(1,940)
Metropolitan Council Total	23,370	-	23,370	(750)	(1,190)	(1,940)
Department of Public Safety						
Public Safety Support increase	-	131	131	131	131	262
Soft Body Armor reimbursements	45	45	90	45	45	90
Application server migration	533	449	982	-	-	-
Capitol Security increase	500	500	1,000	500	500	1,000
MNLARS replacement	52,669	-	52,669	-	-	-
Driver License system development	3,000	-	3,000	-	-	-
BCA software update	29	-	29	-	-	-
FY 2019 Soft Body Armor Deficiency	374	-	374	-	-	-
FY 2019 Deputy Registrar Reimbursements	13,000	-	13,000	-	-	-
Dept of Public Safety Total	70,150	1,125	71,275	676	676	1,352
Total General Fund Changes	95,543	1,441	96,984	(74)	(514)	(588)

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The Metropolitan Council also receives 36 percent of total MVST revenues as a statutory appropriation from the metropolitan area transit account in the Transit Assistance Fund (TAF). In FY 2020-21, the projected TAF appropriation to the Metropolitan Council was \$638.4 million, an increase of \$66.4 million, or 11.6 percent, from FY 2018-2019, and unchanged from the February 2019 forecast.

DEPARTMENT OF PUBLIC SAFETY

The enacted budget appropriated a total of \$609.3 million in FY 2020-21 for the Department of Public Safety's (DPS) transportation-related activities. The appropriation was an increase of \$33.7 million, or 5.9 percent, over the previous biennium, and an increase of \$111.9 million, or 22.5 percent, over the February 2019 forecast.

DPS receives appropriations in the Transportation and Public Safety budget as well as in the Judiciary and Public Safety budget. The Judiciary and Public Safety divisions of DPS received appropriations in [2019 First Special Session, Chapter 5](#), the Omnibus Judiciary and Public Safety Act. See the Judiciary and Public Safety chapter on page 117 of this report for further discussion about DPS appropriations.

Administration and Related Services

Chapter 3 appropriated \$32 million in FY 2020-21 for administration, support, and technical services of DPS, including \$19.8 million from the THF, \$11.9 million from the General Fund, and \$262,000 from the HUTDF. This was a net increase of \$4.6 million, or 16.8 percent, over the February 2019 forecast for this division. FY 2020-21 appropriation changes included \$5 million for

increased technology costs, \$1.7 million one-time for migration of DPS's main application server, and \$90,000 for increased reimbursements to law enforcement for soft body armor. Chapter 3 also eliminated a biennial appropriation of \$2.7 million from the HUTDF for public safety support.

In addition, Chapter 3 included a one-time appropriation of \$374,000 in FY 2019 for a deficiency in soft body armor reimbursements.

State Patrol

Chapter 3 appropriated \$209 million from the THF, \$18.4 million from the General Fund, and \$1.9 million from the HUTDF for biennial State Patrol operations, for a total FY 2020-21 increase of \$1.1 million, or 0.5 percent, compared to the February 2019 forecast. The increase included an ongoing biennial increase of \$1 million from the General Fund for capitol security, and \$103,000 from the HUTDF for a base increase for the vehicle crimes unit.

Driver and Vehicle Services

The enacted budget directly appropriated \$127 million from the Special Revenue Fund, \$16.5 million from the HUTDF, and \$55.7 million from the General Fund for FY 2020-21 operations of the driver and vehicle services division (DVS). This was an increase of \$71 million, or 55.4 percent, over the February 2019 forecast.

The majority of the increase was due to one-time General Fund appropriations of \$55.7 million in FY 2020 for development and implementation of a packaged vehicle registration software system to replace the Minnesota Licensing and Registration System (MNLARS) and for final

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development of the driver licensing system. Chapter 3 also contained a \$13 million one-time appropriation from the General Fund in FY 2019 for grants to deputy registrars for MNLARS-related costs.

Chapter 3 authorized \$35.2 million in new surcharges and fees in FY 2020-21 for continued development and ongoing maintenance of DVS information systems (including the MNLARS replacement system). This revenue will be deposited in the DVS technology account in the Special Revenue Fund. (See page 159 for further discussion of MNLARS replacement and related funding.)

In addition to new revenue related to MNLARS replacement, Chapter 3 contained fee increases for license plates and driver's licenses, as well as a \$1 increase in the filing fee that is assessed on every vehicle transaction. The fee revenue will be deposited in either the vehicle services operating account or the driver services operating account, as appropriate, in the Special Revenue Fund. The funds in these accounts are directly appropriated to DPS to support DVS operations. The fee increases contained in the enacted budget are intended to support increased DVS staffing to enhance customer service and to improve turnaround time for vehicle title processing and driver's license issuance. FY 2020-21 appropriation increases supported by the new revenue in the Special Revenue Fund were \$7.3 million for vehicle services and \$8.1 million for driver services.

Vehicle transactions conducted at a deputy registrar office, rather than at a DPS office, are also assessed a filing fee. The revenues from these filing fees are retained by the deputy registrar rather than deposited in the state's Special Revenue Fund. The \$1 filing fee increase will raise deputy registrar

biennial revenue by an estimated \$9.6 million.

Traffic Safety

The enacted budget appropriated \$988,000 from the THF and \$940,000 from the General Fund in FY 2020-21 for traffic safety programs. This represents forecasted state funding for this purpose. The THF appropriation is used for program operations and administration of federal traffic safety grants. The General Fund appropriation is for ongoing maintenance of DPS's crash record system, which is required by state law.

Pipeline Safety

Chapter 3 appropriated the forecasted base amount of \$2.9 million for FY 2020-21 from the Special Revenue Fund for pipeline safety programs, including inspections, investigations, and damage prevention related to underground utilities. This appropriation is funded through pipeline safety inspection fee revenue.

Bureau of Criminal Apprehension

The appropriations for the operations of the bureau of criminal apprehension (BCA) are contained in the Judiciary and Public Safety budget; however, Chapter 3 contained a one-time appropriation of \$29,000 from the General Fund in FY 2020 for costs of updating BCA software to allow for listing of emergency contacts on driver's license records.

OFFICE OF THE LEGISLATIVE AUDITOR

Chapter 3 contained one-time appropriations for the Office of the Legislative Auditor (OLA), as follows:

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- \$200,000 in FY 2020 from the General Fund to conduct program and service audits of MnDOT and DPS; and
- \$50,000 in each of FY 2020 and FY 2021 from the data security account in the Special Revenue Fund (funded by revenues from DPS bulk data records fees) for quarterly reviews and a final audit of the vehicle registration system that will replace MNLARS.

MNLARS

The Minnesota Licensing and Registration System (MNLARS) is the Department of Public Safety's (DPS) information system for vehicle services operations under the driver and vehicle services division. The system was designed as a joint project of DPS and the Office of MN.IT Services (MN.IT) to be a replacement of DPS's decades-old mainframe system that processed all vehicle and driver transactions for the department. It was funded primarily by a technology surcharge collected on most vehicle and driver transactions between FY 2009 and FY 2016, which generated cumulative revenue of \$96.7 million for the project.

The vehicle transaction functions of MNLARS launched in July 2017, with driver licensing transaction functions still under development, but the vehicle transaction system exhibited defects in planned functionality and required extensive additional programming. Due to the implementation difficulties of the vehicle system, as well as an impending deadline to comply with the federal REAL ID licensing law, the Department of Administration executed a contract in November 2017 with an outside vendor to develop the driver licensing system separately. (See page 122 of the [2017 Fiscal Review](#) for a discussion of REAL ID.)

[Laws 2018, Chapter 101](#), appropriated an additional \$9.7 million in FY 2018 from the Special Revenue Fund for continued development and improvement of MNLARS, and established a steering committee to review MNLARS development progress and funding. (See page 13 of the [2018 Fiscal Review](#) for a more detailed discussion on the history of MNLARS.)

In the 2019 session, [Chapter 1](#) made an additional one-time appropriation of \$11.2 million to DPS from the General Fund in FY 2019 for continued development and improvement of MNLARS and the separate driver licensing system. Chapter 1 also directed the chair of the Governor's Blue Ribbon Council on Information Technology to conduct an independent expert review of MNLARS and to make recommendations to the Legislature on whether MNLARS's vehicle system should be further developed or replaced. The report was released on May 1, 2019, and concluded that the vehicle system should be replaced with a packaged software solution.

Legislation to replace MNLARS with the new vehicle system, to be known as the Vehicle Title and Registration System (VTRS), was enacted in [2019 First Special Session, Chapter 3](#), the Omnibus Transportation Act. Chapter 3 directed the Commissioner of Public Safety to conduct an expedited procurement process for MNLARS replacement, and created a driver and vehicle systems oversight committee (replacing the MNLARS steering committee) to oversee implementation and

financing of the vehicle and driver systems. It also specified an intended timeline for the replacement project, with VTRS scheduled to be implemented by the end of calendar year 2020, and MNLARS scheduled to be decommissioned by the fall of 2021.

Chapter 3 made one-time General Fund appropriations in FY 2020 to DPS of \$52.7 million for development and implementation of VTRS and \$3 million for final development of the driver licensing system. It also appropriated \$100,000 one-time from the Special Revenue Fund in FY 2020-21 to the Legislative Auditor for quarterly reviews of MNLARS replacement and a final audit of VTRS.

The enacted budget also authorized:

- a new technology surcharge of \$2.25, to be added to the fees for the following transactions: issuance of driver's licenses, permits, or identification cards; renewal of vehicle registration; and issuance of original and duplicate motor vehicle titles; and
- an increase, from \$0.01 to \$0.02, in the fee charged by DPS for purchase of driver records and bulk vehicle records, as allowed by law.

The total revenue from the technology surcharge and the \$0.01 records fee increase, estimated in FY 2020-21 to be \$35.2 million, will be deposited into the DVS technology account in the Special Revenue Fund, and is statutorily appropriated to DPS for the development, deployment, and maintenance of driver and vehicle services information systems. DPS is required to make an annual report to the Legislature on revenue to and spending from the technology account.

Chapter 3 also contained a \$13 million one-time appropriation from the General Fund in FY 2019 for grants to deputy registrars, to reimburse deputy registrar costs associated with difficulties since the launch of MNLARS. The grant amounts will be calculated by a statutory formula based on each deputy registrar's proportional number of conducted transactions and will be distributed by DPS to each deputy registrar.

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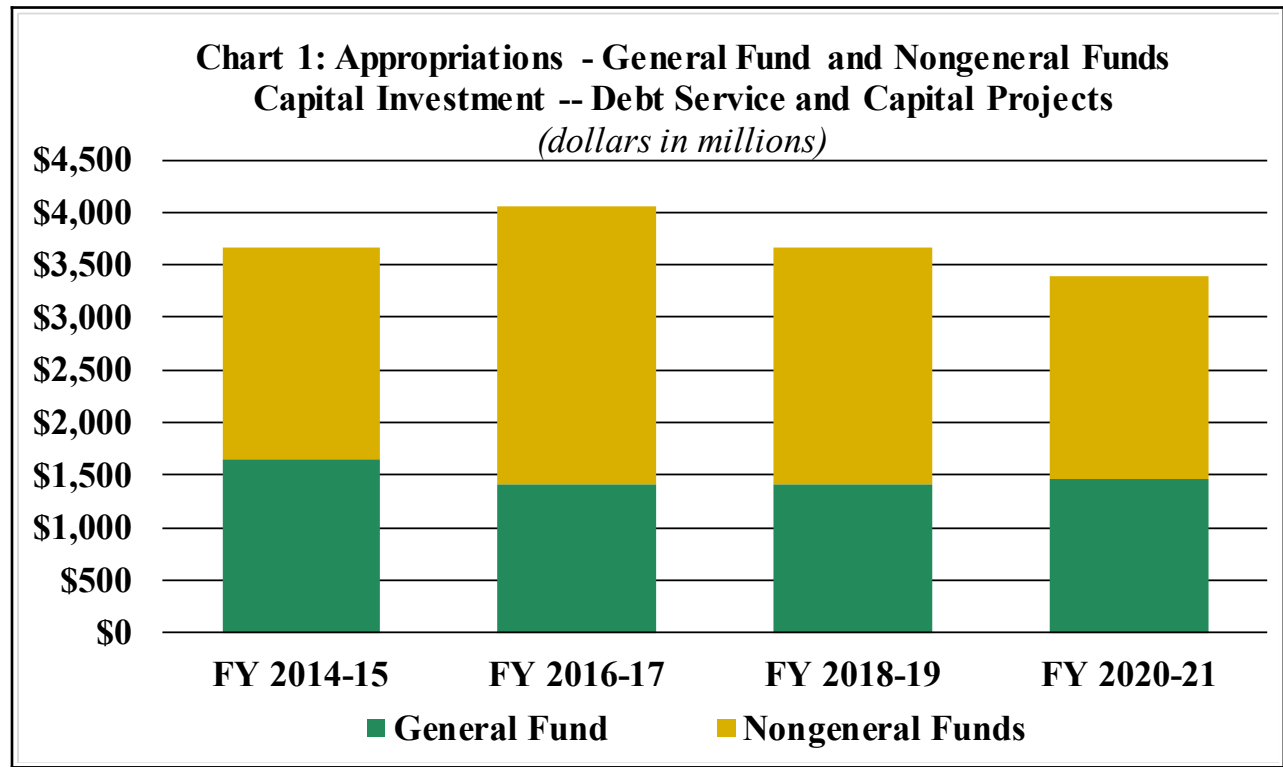
Table 3 - Transportation and Public Safety Revenue Changes Compared to Forecast <i>(dollars in thousands)</i>							
Revenue Changes by Agency	Fund	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Department of Transportation							
State airplane rate changes	State Airports	202	202	404	202	202	404
Dept of Transportation Total		202	202	404	202	202	404
Department of Public Safety							
DVS license plate fee increase	Special Revenue	2,459	2,683	5,142	2,683	1,387	4,070
DVS driver's license fee increase	Special Revenue	3,910	4,265	8,175	4,265	3,554	7,819
DVS filing fee increase	Special Revenue	1,114	1,216	2,330	1,216	1,216	2,432
DVS technology surcharge	Special Revenue	16,500	18,000	34,500	18,000	18,000	36,000
Bulk records data fee increase	Special Revenue	329	359	688	359	359	718
Dept of Public Safety Total		24,312	26,523	50,835	26,523	24,516	51,039
Total Revenue Changes by Fund							
State Airports Fund		202	202	404	202	202	404
Special Revenue Fund		24,312	26,523	50,835	26,523	24,516	51,039
Total Revenue Changes for Budget Area							
		24,514	26,725	51,239	26,725	24,718	51,443

CHAPTER 12 CAPITAL INVESTMENT

Two chapters enacted during the 2019 sessions appropriated money for capital improvements. [Chapter 2](#) appropriated \$102.4 million in general obligation bonds for various environment and natural resources purposes. Chapter 2 also cancelled appropriation bond authorizations of \$98 million for the same projects that were previously appropriated in the 2018 session. [2019 First Special Session, Chapter 13](#), appropriated \$60.5 million, primarily in appropriation bonds, for Minnesota Housing Finance Agency (MHFA) housing infrastructure bonds. This chapter discusses

newly authorized capital investment projects and the ongoing financial obligations from those projects, including debt service.

The debt service and capital projects all funds appropriations declined in two of the past three biennia. Chart 1 displays debt service and capital projects appropriations since FY 2014-15 and divides each biennium between the General Fund and the nongeneral funds. The enacted all funds budget in FY 2020-21 totaled \$3.4 billion, a decrease of \$47.7 million, or 1.4 percent, from the February 2019 forecast, and a decrease of \$267.7



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Table 1 - Biennial Budget Balance - Debt Service Fund <i>(dollars in thousands)</i>					
Transfer in by Fund	FY 2018-19 Spending	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2018-19	Change: Enacted - Fcst. Base
General Fund	1,112,956	1,198,807	1,182,796	69,840	(16,011)
Maximum Effort School Loan	336	1,274	1,274	938	-
MN State Colleges and Universities	62,081	64,813	64,813	2,732	-
Rural Finance Administration	18,122	18,114	18,114	(8)	-
Special Revenue Fund	2,411	2,396	2,396	(15)	-
Trunk Highway Fund	425,912	468,205	468,205	42,293	-
Investment Receipts and Other Revenue	563,686	47,276	47,276	(516,410)	-
Balance Forward	1,749,245	1,676,331	1,676,331	(72,914)	-
Total Transfers In	3,934,749	3,477,216	3,461,205	(473,544)	(16,011)
Total Spending	2,194,216	1,909,544	1,877,873	(316,343)	(31,671)
Budgetary Balance	1,740,533	1,567,672	1,583,332	(157,201)	15,660

million, or 7.3 percent, from FY 2018-19 appropriations. The FY 2018-19 all funds appropriations totaled \$3.6 billion, a decrease of \$396.8 million, or 9.8 percent, from FY 2016-17. The FY 2016-17 all funds appropriations totaled \$4.1 billion, an increase of \$401.2 million, or 11 percent, above FY 2014-15.

In FY 2020-21, the debt service and capital projects General Fund appropriations were 42.9 percent of its all funds budget. The General Fund budget in FY 2020-21 totaled \$1.5 billion, a decrease of \$16 million, or 1.1 percent, from the February 2019 forecast, and an increase of \$48.2 million, or 3.4 percent, more than FY 2018-19 appropriations. FY 2018-19 General Fund appropriations totaled \$1.4 billion, a decrease of \$9.1 million, or 0.6 percent, from FY 2016-17. FY 2016-17 General Fund appropriations totaled \$1.4 billion, a decrease of \$237.6 million, or 14.4 percent, from FY 2014-15.

The Department of Management and Budget (MMB) forecasts annual General Fund supported debt service payments based on the presumption that the enactment of capital investment bills follows a biennial cycle in which the majority of capital improvement appropriations are enacted in even-numbered session years, with relatively smaller appropriations enacted in odd-numbered session years. These amounts are based on ten-year averages of the approximate sizes of capital investment bills enacted into law. The February 2019 forecast assumed that \$265 million in general obligation bonds would be appropriated during the 2019 legislative session. The debt service associated with this assumption, added to the existing outstanding debt, was \$1,199 million in FY 2020-21 and \$1,260 million in FY 2022-23. The debt service for the net issuance of \$162.9 million in general obligation and appropriation bonds authorized in Chapter 2 and Chapter 13, added to the existing outstanding debt, was

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\$1,183 million in FY 2020-21 and \$1,233 million in FY 2022-23. Compared to the forecast, these debt service payments are \$16 million and \$27.4 million lower for FY 2020-21 and FY 2022-23, respectively. See Table 1 for a summary of enacted changes to debt service payments.

Table 2 displays the total debt service payments from all funds for all outstanding state debt, as well as the changes in debt service payments resulting from legislation enacted during the 2019 legislative sessions. This table provides additional detail about the enacted budget compared to the February 2019 forecast and FY 2018-19. (See Appendix E for additional detail.)

[Laws 2018, Chapter 214](#), appropriated \$98 million in appropriation bonds backed by debt service payments from the constitutionally-established Environment and Natural Resources Trust Fund (see page 23 of the [2018 Fiscal Review](#) for additional information). Due to a lawsuit commenced against the state by a group of environmental organizations challenging the constitutionality of using the Environment and Natural Resources Trust Fund for debt service payments, these bonds were never issued. Chapter 2 repealed the appropriation

bonds and the debt service appropriations from the Environment and Natural Resources Trust Fund, and made corresponding appropriations from general obligation bond proceeds. Chapter 2 effectively replaced the appropriation bonds enacted in 2018 with general obligation bonds. This action eliminated the legal issue that was the basis for the lawsuit. Chapter 2 also increased the amount appropriated for the Anoka County Waste Disposal Engineering landfill by \$4.3 million compared to [Laws 2018, Chapter 214](#), for a total appropriation of \$10.3 million for this purpose.

2019 First Special Session, Chapter 13, authorized the MHFA to issue an additional \$60 million in housing infrastructure bonds. Housing infrastructure bonds are appropriation bonds, supported by a statutory annual debt service payment from the General Fund. Additionally, Chapter 13 appropriated \$550,000 in general obligation bonds to the city of Minneapolis for the Shubert Center for Dance and Music. This appropriation was offset by a corresponding cancellation of \$550,000 in general obligation bonds to the city of Minneapolis for the Hennepin Center for the Arts from [Laws 2014, Chapter 294](#).

Table 2 - Debt Service, Capital Projects, Other All Funds Biennial Spending/Appropriations by Agency and Fund <i>(dollars in thousands)</i>					
Expenditure by Purpose	FY 2018-19 Spending	FY 2020-21 Forecast Base	FY 2020-21 Enacted Budget	Change: Enacted - FY 2017-18	Change: Enacted - Fcst. Base
General Fund Grants	294,649	272,970	272,970	(21,679)	-
Debt Service - General Fund	1,112,956	1,198,807	1,182,796	69,840	(16,011)
Debt Service - Stadium Debt Service Fund	60,081	60,313	60,313	232	-
General Fund Cancellations	(15,000)	(20,000)	(20,000)	(5,000)	-
General Fund Expenditure Adjustments	(3,945,981)	(3,668,106)	(3,904,187)	41,794	(236,081)
Total Expenditures	(2,493,295)	(2,156,016)	(2,408,108)	85,187	(252,092)

CAPITAL INVESTMENT

Table 3 - Debt Service Changes Compared to Forecast <i>(dollars in thousands)</i>						
Debt Service Changes	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
General Fund Supported General Obligation Bonding	(3,444)	(12,567)	(16,011)	(14,050)	(13,318)	(27,368)
Minnesota Housing Finance Agency Appropriation Bonds	-	-	-	-	2,400	2,400
Total Debt Service Changes	(3,444)	(12,567)	(16,011)	(14,050)	(10,918)	(24,968)

APPENDICES

Appendix A General Fund Summary Fund Balance Analysis, FY 2018-2023 <i>(dollars in thousands)</i>							
	FY 2018-19	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
<u>February Forecast</u>							
<u>Actual & Estimated Resources</u>							
Balance Forward	3,333,262	3,037,242	3,040,459	3,037,242	3,575,450	3,525,766	3,575,450
Current Resources	45,212,360	23,518,293	24,422,523	47,940,816	24,803,899	25,387,972	50,191,871
Total Resources	48,545,622	26,555,535	27,462,982	50,978,058	28,379,349	28,913,738	53,767,321
<u>Actual & Estimated Expenditures</u>							
Total Net Spending	45,508,380	23,950,269	23,887,532	47,837,801	24,853,583	25,349,484	50,203,067
Balance Before Reserves	3,037,242	2,605,266	3,575,450	3,140,257	3,525,766	3,564,254	3,564,254
Total Reserves	2,474,328	2,487,030	2,523,122	2,523,122	2,566,850	2,617,903	2,617,903
Budgetary Balance	562,914	118,236	1,052,328	617,135	958,916	946,351	946,351
<u>Enacted Budget</u>							
<u>Actual & Estimated Resources</u>							
Balance Forward	3,333,262	3,079,932	2,647,956	3,079,932	2,765,095	2,386,599	2,765,095
Current Resources	45,237,923	23,518,293	24,637,310	48,155,603	25,021,437	25,654,577	50,676,014
Total Resources	48,571,185	26,598,225	27,285,266	51,235,535	27,786,532	28,041,176	53,441,109
<u>Actual & Estimated Expenditures</u>							
Total Net Spending	45,491,253	23,950,269	24,520,171	48,470,440	25,399,933	25,852,047	51,251,980
Balance Before Reserves	3,079,932	2,647,956	2,765,095	2,765,095	2,386,599	2,189,129	2,189,129
Total Reserves	2,474,328	2,487,030	2,523,122	2,523,122	2,075,481	2,126,534	2,126,534
Budgetary Balance	605,604	160,926	241,973	241,973	311,118	62,595	62,595

	FY 2018-19	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
<u>Difference</u>							
<u>Actual & Estimated Resources</u>							
Balance Forward	-	42,690	(392,503)	42,690	(810,355)	(1,139,167)	(810,355)
Current Resources	25,563	-	214,787	214,787	217,538	266,605	484,143
Total Resources	25,563	42,690	(177,716)	257,477	(592,817)	(872,562)	(326,212)
<u>Actual & Estimated Expenditures</u>							
Total Net Spending	(17,127)	-	632,639	632,639	546,350	502,563	1,048,913
Balance Before Reserves	42,690	42,690	(810,355)	(375,162)	(1,139,167)	(1,375,125)	(1,375,125)
<u>Reserves</u>							
Total Reserves	-	-	-	-	(491,369)	(491,369)	(491,369)
Budgetary Balance	42,690	42,690	(810,355)	(375,162)	(647,798)	(883,756)	(883,756)

Appendix B FY 2020-21 General Fund Budgetary Balance and Revenue Change Detail 2019 Legislative Session <i>(dollars in thousands)</i>	
Projected Budgetary Balance, February 2019 Forecast	1,052,328
Revenue Change Items	
<u>Tax Revenue Changes</u>	
Individual Income Tax (including FY 2019 Changes)	(140,505)
Corporate Income Tax (including FY 2019 Changes)	282,848
Sales Tax	16,365
Statewide Property Tax	(77,500)
Estate Tax	-
Liquor, Wine, and Beer Tax	510
Cigarette and Tobacco Products Tax	2,500
Other	(5)
Subtotal, Tax Revenue Changes	84,213
<u>Nontax Revenue Changes</u>	
Ch. 11, Cell Phone Use Fines	328
Ch. 39, License Registration Fee, Pharmacy Benefit Manager	723
Ch. 58, Residential Mortgage License Requirement Exemption	(10)
1st Spec Sess, Ch. 1, Retail Food Handler Fee Adjustment	(6)
1st Spec Sess, Ch. 5, Peace Officers Training Account Transfer to GF	7,274
1st Spec Sess, Ch. 5, Peace Officers Training Account Transfer Reinstatement	180
1st Spec Sess, Ch. 7, MIF One-time Exception	1,630
1st Spec Sess, Ch. 7, Financial Institutions Fee Redirection	(1,100)
1st Spec Sess, Ch. 7, Unclaimed Property Decision Compliance	(2,000)
1st Spec Sess, Ch. 7, Unclaimed Property Modernization Initiative	11,040
1st Spec Sess, Ch. 7, Public Utilities Commission Assessment	600
1st Spec Sess, Ch. 9, Minnesota Sex Offender Program Cost of Care Collections	3,516
1st Spec Sess, Ch. 9, DCT Bed Capacity, Cost of Care Collections	12,136
1st Spec Sess, Ch. 9, Dispute Resolution for County Costs	(582)
1st Spec Sess, Ch. 10, CPA Examination Application Fee Elimination	(210)
1st Spec Sess, Ch. 10, Hair Braiders Exempt from Licensing	(6)
1st Spec Sess, Ch. 11, Board of School Administrators Licensure Fees (Moved from Spec Rev)	520
1st Spec Sess, Ch. 11, Board of School Administrators Licensure Fee Increase	174
1st Spec Sess, Ch. 11, Prof Educator Licensing and Standards Bd Licensure (Moved from SRF)	3,716
Subtotal, Nontax Revenue	37,923
<u>Non-Dedicated Revenue</u>	
1st Spec Sess, Ch. 6, Eliminate Revenue from Federal TANF	(48,815)
1st Spec Sess, Ch. 9, TEFRA - Reduce Parental Fees	(1,140)
1st Spec Sess, Ch. 9, SIRS and CCAP Investigation Expansion	1,000
1st Spec Sess, Ch. 9, Improving Medical Assistance Benefit Recovery	363
Subtotal, Nondedicated Revenue	(48,592)

Transfers and Other	
Ch. 60, Transfer In from State-Operated Services Account	13,000
1st Spec Sess, Ch. 6, Net Loan, Senior Property Tax Deferral, Date Change	(60)
1st Spec Sess, Ch. 9, Transfer In from Premium Security Plan Account	142,000
1st Spec Sess, Ch. 9, Transfer In from Opiate Epidemic Response Fund	5,439
1st Spec Sess, Ch. 9, Transfer In from Long Term Care Options Account	3,242
1st Spec Sess, Ch. 10, Transfer In from MN.IT ITA Account (FY 2019)	220
1st Spec Sess, Ch. 11, FY 2018 Cancellation Adj, Starbase MN	1,350
1st Spec Sess, Ch. 11, FY 2018 Cancellation Adj, NW Regional Partnership	1,000
1st Spec Sess, Ch. 11, FY 2018 Cancellation Adj, Statewide Concur Enrollment Tchr Training	25
1st Spec Sess, Ch. 11, FY 2018 Cancellation Adj, Singing Based Pilot Program	230
Subtotal, Transfers and Other	166,446
Total Revenue Changes	239,990
Spending Change Items	
FY 2018-19 Appropriation Changes	(17,127)
FY 2020-21 Appropriation Changes	1,067,472
Total Spending Changes	1,050,345
Net General Fund Changes (Revenue minus Spending)	(810,355)
Revised Balance, FY 2020-21, End of Session (Forecast Balance Plus Net GF Changes)	241,973

Appendix C						
Health Care Access Fund, FY 2018-2023						
End of 2019 Legislative Session						
(dollars in thousands)						
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
February Forecast						
Actual & Estimated Resources						
Carryforward	713,973	690,957	670,233	602,217	61,213	(416,149)
Revenue	816,246	843,716	638,437	175,826	175,772	182,482
Transfers In	-	50,000	7,200	-	-	-
Total Resources	1,530,219	1,584,673	1,315,870	778,043	236,985	(233,667)
Actual & Estimated Uses						
Expenditures	503,246	578,560	577,755	580,932	639,236	671,393
Transfers Out	336,016	335,880	135,898	135,898	13,898	13,898
Total Uses	839,262	914,440	713,653	716,830	653,134	685,291
Balance	690,957	670,233	602,217	61,213	(416,149)	(918,958)
Enacted Budget						
Actual & Estimated Resources						
Carryforward	713,973	690,957	620,233	617,097	456,693	298,683
Revenue (Feb 2019 Fcst)	816,246	843,716	638,437	175,826	175,772	182,482
Enacted Changes:						
Reinstate Provider Tax at 1.8%	-	-	213,140	659,900	693,710	728,330
Transfers In (Feb 2019 Fcst)	-	50,000	7,200	-	-	-
Enacted Changes:						
Cancel Chronic Disease Transfer from General Fund	-	(50,000)	-	-	-	-
Total Resources	1,530,219	1,534,673	1,479,010	1,452,823	1,326,175	1,209,495
Actual & Estimated Uses						
Expenditures (Feb 2019 Fcst)	503,246	578,560	577,755	580,932	639,236	671,393
Enacted Changes:						
Extend Premium Security Plan - BHP Impact	-	-	-	115,539	72,463	-
MA and MNCare Rate Increase, Provider Tax 1.8% Increase	-	-	10,408	24,796	41,376	35,333
Refinance MA to HCAF	-	-	135,000	135,000	135,000	135,000
Federal Compliance with Outpatient Pharmacy Rule	-	-	2,050	2,165	2,334	2,524
Investing and Modernizing	-	-	-	1,363	748	1,080
Payments for Safety Net Providers	-	-	-	-	-	-
Blue Ribbon Commission	-	-	510	-	-	-

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Fraud Prevention Investigations Expansion	-	-	(7)	(9)	(9)	(9)
MDH Operating Adjustment	-	-	202	349	349	349
Health Access Survey	-	-	225	225	225	225
Repeal Legislature Appropriation	-	-	(128)	(128)	(128)	(128)
Total Expenditures	503,246	578,560	726,015	860,232	891,594	845,767
Transfers Out (Feb 2019 Fcst)	336,016	335,880	135,898	135,898	13,898	13,898
<i>Enacted Changes:</i> General Fund: M.S.16A.724, Subd. 2(a)	-	-	-	-	122,000	122,000
Total Transfers Out	336,016	335,880	135,898	135,898	135,898	135,898
Total Uses	839,262	914,440	861,913	996,130	1,027,492	981,665
Balance	690,957	620,233	617,097	456,693	298,683	227,830
<u>Difference</u>						
<u>Actual & Estimated Resources</u>						
Carryforward	-	-	(50,000)	14,880	395,480	714,832
Revenue	-	-	213,140	659,900	693,710	728,330
Transfers Out	-	(50,000)	-	-	-	-
Total Resources	-	(50,000)	163,140	674,780	1,089,190	1,443,162
<u>Actual & Estimated Uses</u>						
Expenditures	-	-	148,260	279,300	252,358	174,374
Transfers Out	-	-	-	-	122,000	122,000
Total Uses	-	-	148,260	279,300	374,358	296,374
Balance	-	(50,000)	14,880	395,480	714,832	1,146,788

Appendix D All Funds Spending By Budget Jurisdiction FY 2014-15 through FY 2020-21 <i>(dollars in thousands)</i>							
	FY 2014-15	FY 2016-17	Biennial Change	Enacted FY 2018-19	Biennial Change	Enacted FY 2020-21	Biennial Change
<u>E-12 Education</u>							
General	16,618,256	17,408,718	4.8%	18,831,943	8.2%	20,122,262	6.9%
Nongeneral	1,567,076	1,420,029	(9.4%)	1,694,499	19.3%	1,907,249	12.6%
Legacy & Constitutional Funds	8,257	5,550	(32.8%)	5,066	(8.7%)	5,200	2.7%
Total	18,193,590	18,834,297	3.5%	20,531,508	9.0%	22,034,711	7.3%
<u>Higher Education</u>							
General	2,833,660	3,084,888	8.9%	3,290,092	6.7%	3,406,128	3.5%
Nongeneral	59,821	61,373	2.6%	71,460	16.4%	69,804	(2.3%)
Legacy & Constitutional Funds	31,249	33,733	7.9%	46,525	37.9%	20,336	(56.3%)
Total	2,924,730	3,179,994	8.7%	3,408,077	7.2%	3,496,268	2.6%
<u>Tax Aids and Credits</u>							
General	2,933,178	3,321,205	13.2%	3,657,822	10.1%	3,803,613	4.0%
Nongeneral	2,051	14,996	631.1%	17,096	14.0%	1,080	(93.7%)
Legacy & Constitutional Funds	-	-	-	-	-	-	0.0%
Total	2,935,229	3,336,201	13.7%	3,674,918	10.2%	3,804,693	3.5%
<u>Health and Human Services</u>							
General	11,620,932	11,545,166	(0.7%)	13,322,418	15.4%	14,773,566	10.9%
Nongeneral	18,033,064	20,345,358	12.8%	22,521,446	10.7%	24,544,614	9.0%
Legacy & Constitutional Funds	8,960	10,175	13.6%	12,006	18.0%	12,994	8.2%
Total	29,662,956	31,900,699	7.5%	35,855,870	12.4%	39,331,174	9.7%
<u>Agric, Env, and Nat Resources</u>							
General	423,393	501,306	18.4%	482,377	(3.8%)	465,770	(3.4%)
Nongeneral	986,480	1,152,435	16.8%	1,189,381	3.2%	1,436,434	20.8%
Legacy & Constitutional Funds	548,085	528,457	(3.6%)	731,354	38.4%	502,025	(31.4%)
Total	1,957,958	2,182,198	11.5%	2,403,113	10.1%	2,404,229	0.0%

	FY 2014-15	FY 2016-17	Biennial Change	Enacted FY 2018-19	Biennial Change	Enacted FY 2020-21	Biennial Change
<u>Jobs, Commerce, and Energy</u>							
General	367,456	459,040	24.9%	561,789	22.4%	461,559	(17.8%)
Nongeneral	1,377,622	1,305,951	(5.2%)	1,433,921	9.8%	1,744,788	21.7%
Legacy & Constitutional Funds	15,167	40,635	167.9%	35,555	(12.5%)	18,250	(48.7%)
Total	1,760,245	1,805,626	2.6%	2,031,265	12.5%	2,224,597	9.5%
<u>Judiciary and Public Safety</u>							
General	1,978,618	2,179,140	10.1%	2,357,372	8.2%	2,491,870	5.7%
Nongeneral	373,428	382,526	2.4%	432,027	12.9%	296,381	(31.4%)
Legacy & Constitutional Funds	-	-	-	-	-	-	0.0%
Total	2,352,046	2,561,667	8.9%	2,789,399	8.9%	2,788,251	0.0%
<u>Transportation and Public Safety</u>							
General	270,390	274,742	1.6%	367,880	33.9%	331,225	(10.0%)
Nongeneral	6,376,178	6,465,993	1.4%	7,835,758	21.2%	8,322,757	6.2%
Legacy & Constitutional Funds	-	-	-	345	-	-	(100.0%)
Total	6,646,568	6,740,735	1.4%	8,203,983	21.7%	8,653,982	5.5%
<u>State Government and Veterans</u>							
General	930,044	1,053,888	13.3%	1,226,956	16.4%	1,178,681	(3.9%)
Nongeneral	589,141	624,225	6.0%	1,013,330	62.3%	1,234,555	21.8%
Legacy & Constitutional Funds	114,303	123,096	7.7%	129,412	5.1%	132,713	2.6%
Total	1,633,488	1,801,209	10.3%	2,369,698	31.6%	2,545,949	7.4%
<u>Debt Service and Capital Projects</u>							
General	1,654,206	1,416,656	(14.4%)	1,407,557	(0.6%)	1,455,766	3.4%
Nongeneral	2,003,161	2,641,874	31.9%	2,254,131	(14.7%)	1,938,186	(14.0%)
Total	3,657,367	4,058,530	11.0%	3,661,688	(9.8%)	3,393,952	(7.3%)
<u>Other</u>							
General	11,016	9,988	(9.3%)	(14,953)	(249.7%)	(20,000)	33.8%
Nongeneral	(4,038,340)	(3,664,607)	(9.3%)	(3,946,028)	7.7%	(3,904,187)	(1.1%)
Total	(4,027,324)	(3,654,619)	(9.3%)	(3,960,981)	8.4%	(3,924,187)	(0.9%)

	FY 2014-15	FY 2016-17	Biennial Change	Enacted FY 2018-19	Biennial Change	Enacted FY 2020-21	Biennial Change
Total							
General	39,641,149	41,254,738	4.1%	45,491,253	10.3%	48,470,440	6.5%
Nongeneral	27,329,683	30,750,154	12.5%	34,517,021	12.2%	37,591,661	8.9%
Legacy & Constitutional Funds	726,020	741,646	2.2%	960,263	29.5%	691,518	(28.0%)
Total	67,696,853	72,746,537	7.5%	80,968,537	11.3%	86,753,619	7.1%

Appendix E Capital Investment Detail <i>(dollars in thousands)</i>		
AGENCY AND PROJECT	TYPE	AMOUNT
Department of Natural Resources		13,000
Natural Resources Asset Preservation	GO	3,419
City of Elk River - Lake Orono Dredging	GO	1,500
City of South Saint Paul - Seidls Lake Storm Water Improvements	GO	781
Redwood/Cottonwood Rivers Control Area - Lake Redwood Reclamation	GO	7,300
Pollution Control Agency		10,300
Waste Disposal Engineering (WDE) Landfill	GO	10,300
Board of Water and Soil Resources		10,000
Reinvest in Minnesota (RIM) Reserve Program	GO	10,000
Metropolitan Council		10,000
Metropolitan Parks and Trails Capital Improvements	GO	10,000
Department of Employment and Economic Development		550
City of Minneapolis - Shubert Center for Dance and Music	GO	550
Public Facilities Authority		59,000
State Match for Federal Grants	GO	6,000
Water Infrastructure Funding Program - Wastewater Projects	GO	14,652
Point Source Implementation Grants Program	GO	38,348
Minnesota Housing Finance Authority		60,000
Housing Infrastructure Bonds	AP	60,000
Department of Management and Budget		102
Bond Sale Expenses - General Obligation Bonds	GO	102
Cancellations		(98,550)
2018 - DNR - Natural Resources Asset Preservation	ENRTF-AP	(3,419)
2018 - DNR - City of Elk River - Lake Orono Dredging	ENRTF-AP	(1,500)
2018 - DNR - City of South Saint Paul - Seidls Lake Storm Water Improvements	ENRTF-AP	(781)
2018 - PCA - Redwood/Cottonwood Rivers Control Area - Lake Redwood Recl.	ENRTF-AP	(7,300)
2018 - PCA - Waste Disposal Engineering (WDE) Landfill	ENRTF-AP	(6,000)
2018 - BWSR - Reinvest in Minnesota (RIM) Reserve Program	ENRTF-AP	(10,000)
2018 - Met Council - Metropolitan Parks and Trails Capital Improvements	ENRTF-AP	(10,000)
2018 - PFA -State Match for Federal Grants	ENRTF-AP	(6,000)
2018 - PFA - Water Infrastructure Funding Program - Wastewater Projects	ENRTF-AP	(14,652)
2018 - PFA - Point Source Implementation Grants Program	ENRTF-AP	(38,348)
2014 - DEED - Hennepin County - Hennepin Center for the Arts	GO/C	(550)

AGENCY AND PROJECT	TYPE	AMOUNT
TOTAL APPROPRIATIONS BY FUND		162,952
General Obligation Bonds (GO)		102,952
General Obligation Bond Cancellations (GO/C)		(550)
Appropriation Bonds (AP)		60,000
Environment and Nat. Resources Trust Fund Appropriation Bonds (ENRTF-AP)		(98,000)

Appendix F

Legacy and Constitutionally Dedicated Funds

[2019 First Special Session, Chapter 2](#), contained appropriations made from constitutionally dedicated, or [“Legacy,” funds](#). The resources in the Legacy funds are generated by a three-eighths of one percent of the state’s sales tax, which was passed as a constitutional amendment in 2008. This sales tax revenue is constitutionally distributed into four funds as follows: 33 percent to the Outdoor Heritage Fund, 33 percent to the Clean Water Fund, 14.25 percent to the Parks and Trails Fund, and 19.75 percent to the Arts and Cultural Heritage Fund.

Outdoor Heritage Fund

Chapter 2 appropriated a total of \$127.1 million in FY 2020 and \$565,000 in FY 2021 from the Outdoor Heritage Fund to finance various programs and projects to preserve and restore prairies, forests, wetlands, and aquatic habitats across the state. In keeping with past practice, appropriations from this fund are largely made for the first year of the biennium, and typically reflect the recommendations made by the Lessard-Sams Outdoor Heritage Council, a council of citizens and legislators created to oversee the fund. The council made recommendations for FY 2020 only and will make additional recommendations for the 2020 session pertaining to FY 2021 appropriations. Outdoor Heritage Fund appropriations included \$38.3 million for prairies, \$17 million for forests, \$20.8 million for wetlands, and \$50.1 million for habitats.

Clean Water Fund

Chapter 2 appropriated \$134.5 million in FY 2020 and \$126.7 million in FY 2021 from the Clean Water Fund to finance activities promoting protection, enhancement, and restoration of water quality in lakes, rivers,

and streams statewide. The recommendations for usage of Clean Water Fund revenues are provided by the Clean Water Council. Most of the council’s recommendations were enacted.

Parks and Trails Fund

Chapter 2 appropriated \$50.1 million in FY 2020 and \$51.2 million in FY 2021 from the Parks and Trails Fund. Consistent with previous appropriations from this fund, approximately 40 percent of the total appropriation (\$40.1 million in FY 2020-21) was directed to state parks and trails, 40 percent (\$40.1 million) was directed to metropolitan area parks and trails, and 20 percent (\$20 million) was directed to regional parks and trails.

Arts and Cultural Heritage Fund

Chapter 2 appropriated \$69.3 million in FY 2020 and \$70.5 million in FY 2021 from the Arts and Cultural Heritage Fund to preserve Minnesota’s history and cultural heritage. [Minnesota Statutes, section 129D.17, subdivision 4](#), requires that at least 47 percent of the money appropriated from the Arts and Cultural Heritage Fund be to the Minnesota State Arts Board or regional arts councils to finance various grant and arts access programs. Accordingly, Chapter 2 appropriated \$65.7 million to the Minnesota State Arts Board for FY 2020-21. Chapter 2 also appropriated \$32.9 million to the Minnesota Historical Society for grants and programming.

Environment and Natural Resources Trust Fund

[2019 First Special Session, Chapter 4](#), enacted appropriations from the Environment and Natural Resources Trust Fund. In 1988,

Minnesota voters approved a constitutional amendment establishing the [Environment and Natural Resources Trust Fund \(Trust Fund\)](#). The Minnesota Constitution requires that 40 percent of the net proceeds from the Minnesota State Lottery are deposited in the Trust Fund each year until December 31, 2024. The Trust Fund may also receive contributions from other sources, such as private donations. The total value of the Trust Fund was \$1.1 billion on June 30, 2018.

According to the Constitution, the Legislature may appropriate up to 5.5 percent of the amount in the Trust Fund each fiscal year based on the balance of the fund in the previous year. Chapter 4 appropriated \$2.9 million in FY 2019 and \$61.4 million in FY 2020 from the Trust Fund. Based on these estimates, another \$61.4 million is available to be appropriated for FY 2021 during the 2020 legislative session.

Table 1 Chapter 2 - Legacy/ Constitutionally Dedicated Appropriations By Fund, By Agency <i>(dollars in thousands)</i>	
Fund, Agency	FY 2020-21
Outdoor Heritage Fund*	
<u>Department of Natural Resources</u>	
Prairie Acquisition and Restoration	33,277
Forests Acquisition and Restoration	17,032
Wetlands Acquisition and Restoration	19,816
Fish, Game, and Wildlife Habitat	50,119
Administration, Other	360
Total for Department of Natural Resources	120,604
<u>Board of Water and Soil Resources</u>	
Prairie Acquisition and Restoration	5,026
Wetlands Acquisition and Restoration	937
Total for Board of Water and Soil Resources	5,963
<u>Legislative Coordinating Commission</u>	
Administration, Website	1,125
Total Outdoor Heritage Fund	127,692
Clean Water Fund	
<u>Pollution Control Agency</u>	
Water Quality Assessment and Monitoring	16,300
TMDL and WRAP Development	15,100
Ground and Drinking Water Protection	2,364
Great Lakes Restoration/St. Louis River	1,500
Subsurface Sewage Treatment Systems (SSTS)	6,750
Wastewater/Stormwater Programs	2,200
Voyageurs National Park Sanitary Sewer Project	1,550
Chloride Reduction Activities	500
Clean Water Council Administrative Costs	220
Total for Pollution Control Agency	46,484
<u>Department of Natural Resources</u>	
Nonpoint Source Protection and Preservation	2,000

Fund, Agency	FY 2020-21
Stream Flow Monitoring	4,000
Lake Index of Biological Integrity	2,500
Watershed Restoration and Protection	3,800
Assessing Mercury Contamination in Fish	270
Ground and Drinking Water Protection	4,150
Buffer Maps and Technical Guidance	200
Research Development and County Geological Atlas	1,700
Total for Department of Natural Resources	18,620
<u>Metropolitan Council</u>	
Metro Water Supply Sustainability	2,000
Water Demand Reduction Grant Program	750
Total for Metropolitan Council	2,750
<u>Board of Water and Soil Resources</u>	
Watershed Implementation Grants	26,966
Surface and Drinking Water Grants	32,000
Accelerated Implementation/Technical Assistance Grants	8,000
Soil and Water Conservation Districts Admin Grants	24,000
Watershed Management Transitions	4,000
Conservation Drainage Management and Assistance	1,700
Conservation Reserve Enhancement Program (CREP)	17,250
Critical Shoreland Protection Easements	3,000
Wellhead Protection Easements	4,000
Riparian Buffer Easements	9,500
Riparian Protection and Soil Loss Assistance	5,000
Soil Erosion Data Collection	850
Measures, Results, and Accountability	2,168
Total for Board of Water and Soil Resources	138,434
<u>Department of Agriculture</u>	
Agriculture Water Quality Certification Program	6,000
Nitrate Monitoring in Groundwater	5,170
Pesticide Testing of Private Wells	2,000
Pesticide Monitoring Surface and Groundwater	700
Perennial and Cover Crop Research (Forever Green)	4,300
Ag Best Management Practice Loan Admin	150
Irrigation Water Quality Protection	300
Research and Tool Development	3,100
Total for Department of Agriculture	21,720
<u>Public Facilities Authority</u>	
Wastewater and Point Source Grants and Loans	18,000
Small Community Wastewater Treatment Program	250
Total for Public Facilities Authority	18,250
<u>Department of Health</u>	
Source Water Protection and Preservation	5,494
Drinking Water Contaminants	3,400

Fund, Agency	FY 2020-21
Water Reuse Systems	500
Private Well Water Protection	1,500
Local Groundwater Strategies	1,100
Drinking Water Protection	500
Monitoring Viruses in Groundwater	500
Total for Department of Health	12,994
<u>University of Minnesota</u>	
Stormwater Best Management Practices Evaluation	1,500
County Geological Atlas Survey	500
Total for University of Minnesota	2,000
<u>Legislative Coordinating Commission</u>	
Public Information Website	9
Total Clean Water Fund	261,261
Parks and Trails Fund	
<u>Department of Natural Resources</u>	
State Parks, Recreation Areas, and Trails	40,096
Regional Parks and Trails Grants	20,049
Parks and Trails Coordinating and Assistance	1,012
Total for Department of Natural Resources	61,157
<u>Metropolitan Council - Regional Parks</u>	
Metro Parks and Trails Grants	40,096
<u>Legislative Coordinating Commission</u>	
Public Information Website	4
Total Parks and Trails Fund	101,257
Arts and Cultural Heritage Fund	
<u>Minnesota State Arts Board</u>	
Arts and Arts Access Initiatives	52,600
Arts Education Collaborations	9,850
Arts and Cultural Heritage	3,200
Total for MN State Arts Board	65,650
<u>Minnesota Historical Society</u>	
Statewide History Programs and Projects	12,850
Statewide Historic and Cultural Grants	12,850
History Partnerships	1,000
Survey of Historical Sites	5,000
Digital Library	750
Specified Local Grants	505
Total for MN Historical Society	32,955

Fund, Agency	FY 2020-21
<u>Department of Administration: Fiscal Agent</u>	
Public Television	8,920
Minnesota Public Radio and AMPERS	6,950
Como Zoo	2,700
Lake Superior Zoo and Aquarium	300
Phalen Park China Garden	400
Wilderness Inquiry	750
Midwest Outdoors Unlimited	50
Green Giant Museum	141
Martin County Veterans Memorial	100
Science Museum of Minnesota	1,300
Total for Department of Administration	21,611
<u>Minnesota Zoo</u>	
Program Development	3,500
<u>Minnesota Center for the Humanities</u>	
Program Development	2,100
Minnesota Children's Museum	1,150
Children's Museum Startup and Expansion Grants	1,250
Community Identity and Heritage Grants	1,700
Civics Education	200
Total for MN Center for the Humanities	6,400
<u>Department of Education</u>	
Minnesota Regional Library Systems	5,100
Swimming Safety Grant Program	100
Total for Department of Education	5,200
<u>Department of Agriculture</u>	
County Ag Societies/County Fair Grants	800
<u>Indian Affairs Council</u>	
Language Preservation and Education Grants	1,260
Dakota and Ojibwe Immersion Programs	2,150
Graves Protection	140
Total for Indian Affairs Council	3,550
<u>University of Minnesota</u>	
Bell Museum of Natural History	100
<u>Legislative Coordinating Commission</u>	
Public Information Website	6
Total Arts and Cultural Heritage Fund	139,772

Fund, Agency	FY 2020-21
Summary, by Fund	
Outdoor Heritage Fund*	127,692
Clean Water Fund	261,261
Parks and Trails Fund	101,257
Arts and Cultural Heritage Fund	139,772
Grand Total for Legacy/Constitutionally Dedicated Fund	629,982

*Chapter 2 appropriated money only for the first year from the Outdoor Heritage Fund. The other Legacy funds were appropriated for two fiscal years.

Table 2 Legacy Funds Appropriations FY 2010-11 through FY 2020-21 <i>(dollars in thousands)</i>							
Fund	FY 2010-11	FY 2012-13	FY 2014-15	FY 2016-17	FY 2018-19	FY 2020-21	Total
Outdoor Heritage Fund	147,471	186,404	200,070	207,652	218,486	127,692	1,087,775
Clean Water Fund	152,245	185,429	197,431	231,057	211,870	261,261	1,239,293
Parks and Trails Fund	65,097	78,144	85,105	89,350	89,764	101,257	508,717
Arts and Cultural Heritage Fund	92,720	107,429	116,943	124,804	123,364	139,772	705,032
Total	457,533	557,406	599,549	652,863	643,484	629,982	3,540,817

Table 3 Appropriations from the Environment and Natural Resources Trust Fund <i>(dollars in thousands)</i>		
Category/Project	FY 2019*	FY 2020
Foundational Natural Resources Data and Information (20 Projects)	1,804	13,601
Water Resources (20 Projects)	-	5,416
Technical Assistance, Outreach, and Environmental Education (4 Projects)	-	1,136
Aquatic and Terrestrial Invasive Species (4 Projects)	-	5,400
Air Quality and Renewable Energy (4 Projects)	-	1,485
Methods to Protect or Restore Land, Water, and Habitat (7 Projects)	806	5,960
Land Acquisition, Habitat, and Recreation (17 Projects)	-	26,351
Wastewater Treatment Pilot Program	-	500
Administration and Contract Agreement Reimbursement	330	1,538
Total from Environment and Natural Resources Trust Fund	2,940	61,387

* The amounts appropriated for FY 2019 became available as a result of the repeal of [Laws 2018, Chapter 214, Article 6](#), which would have appropriated \$2.9 million from the Trust Fund in FY 2019 to pay for the debt service on appropriation bonds. [Laws 2019, Chapter 2](#), repealed the appropriation bonds and replaced them with general obligation bonds.

Appendix G						
Health and Human Services						
General Fund Appropriations Detail Compared to Forecast						
(dollars in thousands)						
Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Department of Human Services						
Long-Term Services and Support						
Assisted Living Report Card	(1,000)	(1,000)	(2,000)	(1,000)	(1,000)	(2,000)
NF Moratorium Exception Construction Projects	-	41	41	224	607	831
NF Rate Increase for Border City Facilities	-	81	81	136	31	167
Development of MA TEFRA Enrollment Materials	59	63	122	63	63	126
TEFRA Fee Reduction (15%)	1,064	1,437	2,501	1,501	1,571	3,072
Eliminate (7-1-22) MA Disabled Excess Income Standard	-	-	-	25	22,270	22,295
Simplify and Streamline HCBS Waiver Menu	2,179	407	2,586	1,700	4,274	5,974
Grants for LTC Facilities with 75% EW Residents	500	500	1,000	500	500	1,000
Day Training and Habilitation Provider DWRS Transition Grants	200	200	400	-	-	-
Competitive Workforce Factor for DWRS	1,757	32,477	34,234	43,637	(13,366)	30,271
Electronic Visit Verification	192	716	908	(2,721)	(4,614)	(7,335)
Greater MN Sign Language Interpreting Service Capacity	211	211	422	211	211	422
Self-Directed Worker Union Contract	16,805	19,672	36,477	18,813	20,094	38,907
MA EPD Federal Conformity	33	7	40	7	7	14
Adult Day Care Oversight Improvements	134	135	269	135	135	270
Long-Term Services and Support Total	22,134	54,947	77,081	63,231	30,783	94,014
Children and Families						
CCAP Federal Compliance	433	226	659	226	226	452
BSF CY 2018 Underspending	(8,911)	-	(8,911)	-	-	-
Child Welfare Training Academy	1,643	2,517	4,160	2,754	3,007	5,761
Tribal Child Welfare Initiative Expansion	5,558	9,796	15,354	12,644	12,359	25,003
CCAP Program Integrity	(747)	(1,353)	(2,100)	(1,394)	(1,435)	(2,829)
Strengthening Oversight of CCAP	1,023	1,071	2,094	1,211	1,211	2,422
Family Child Care Task Force	81	-	81	-	-	-

Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Family First Prevention Services Act Implementation	1,128	784	1,912	711	711	1,422
MFIP Benefit Increase	-	-	-	3,389	4,549	7,938
CCAP Provider Registration and Oversight	71	82	153	-	-	-
Parent Support for Better Outcomes Grant	150	150	300	-	-	-
Safe Harbor for Sexually Exploited Youth	500	500	1,000	500	500	1,000
Emergency Services Grants	1,500	1,500	3,000	-	-	-
Children and Families Total	2,429	15,273	17,702	20,041	21,128	41,169
Community Support/Mental Health						
Certified Community Behavioral Health Clinics Expansion	473	4,226	4,699	8,869	9,301	18,170
Children's Intensive Services Reform	2,498	5,419	7,917	7,129	11,058	18,187
Reform Financing of Behavioral Health Services	(19,523)	1,502	(18,021)	542	553	1,095
Increasing Timely Access to Substance Use Disorder Treatment	8	8	16	14	14	28
Fetal Alcohol Spectrum Disorders Grants	500	500	1,000	500	500	1,000
School-Linked Mental Health Grants	578	623	1,201	4,810	4,790	9,600
Community-Based Children's Mental Health Grant	100	-	100	-	-	-
Mobile Crisis Services Grants	1,250	1,250	2,500	4,896	4,897	9,793
Specialized Mental Health Community Supervision Pilot Project	400	-	400	-	-	-
Shelter-Linked Youth Mental Health Grants	250	250	500	250	250	500
Substance Use Disorder Waiver	522	(16,613)	(16,091)	(33,579)	(39,702)	(73,281)
Opiate Epidemic Response (Ch. 63)	2,500	-	2,500	-	-	-
Grants to Counties and Tribes for Vulnerable Adult Protection (Ch. 60)	1,000	1,500	2,500	2,050	2,655	4,705
Community Support/Mental Health Total	(9,444)	(1,335)	(10,779)	(4,519)	(5,684)	(10,203)
Health Care						
MA Rate Increase for Doula Services	19	45	64	50	55	105
MA Coverage for Pediatric Autoimmune Neuropsychiatric Disorders	53	105	158	105	105	210
Increase HCAF Appropriation for MA	(135,000)	(135,000)	(270,000)	(135,000)	(135,000)	(270,000)
Federal Compliance with Outpatient Pharmacy Rule	1,534	1,489	3,023	1,485	1,558	3,043
Establish and Revise Payment Methodology for DME	(1,256)	(771)	(2,027)	(147)	(181)	(328)

Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Repeal Volume Purchasing of Incontinence Products	2,014	2,433	4,447	2,629	2,629	5,258
Update Indian Health Services Provider Payments	9	2	11	2	2	4
NEMT Program Integrity Improvements	31	(935)	(904)	(1,005)	(1,078)	(2,083)
Eliminate Capitation Payment and Require FFS Payment for Absent MA Enrollees	171	35	206	35	35	70
Corrective Plan to Eliminate Duplicate Personal Identification Numbers	(896)	(1,902)	(2,798)	(2,503)	(2,390)	(4,893)
Improving MA Benefit Recoveries	(19)	16	(3)	13	(108)	(95)
Closing Gaps in Health Care Coverage for Children in Foster Care	-	363	363	850	918	1,768
Reduction of Forecast Assumption for Managed Care Payment Trend	(6,811)	(22,729)	(29,540)	(47,867)	(67,743)	(115,610)
Inpatient Hospital Rebasing	22	4	26	4	4	8
Health Care Total	(140,129)	(156,845)	(296,974)	(181,349)	(201,194)	(382,543)
Direct Care and Treatment						
MN Sex Offender Program Funding	8,000	8,000	16,000	8,000	8,000	16,000
MN State Operated Services Operating Adjustment	1,594	3,729	5,323	3,729	3,729	7,458
Increase Bed Capacity in DCT Health Services Programs	(14,716)	(1,716)	(16,432)	(1,716)	(1,716)	(3,432)
DCT Competency Restoration Task Force	85	51	136	-	-	-
Agency Hearings for County Disputes of Charges for Delayed Discharge from DCT Facilities	291	291	582	291	291	582
Direct Care and Treatment Total	(4,746)	10,355	5,609	10,304	10,304	20,608
Central Office						
Reduction in DHS Spending Related to Blue Ribbon Commission	-	-	-	(50,000)	(50,000)	(100,000)
SIRS and CCAP Investigation Expansion	26	(100)	(74)	(100)	(100)	(200)
Background Study Federal Compliance	120	161	281	161	161	322
Service Delivery Transformation	10,000	10,000	20,000	-	-	-
Transfer Balance from Long Term Care Options Account	(3,242)	-	(3,242)	-	-	-
Fraud Prevention Investigations Expansion	(15)	(173)	(188)	(173)	(173)	(346)
LTC Ombudsman Staffing (Ch. 60)	990	1,376	2,366	1,708	1,708	3,416
MAARC and Other Systems (Ch. 60)	1,456	635	2,091	472	472	944
Assisted Living Report Card (Ch. 60)	1,856	1,871	3,727	1,770	1,770	3,540

Appropriation Changes by Agency	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Current Vulnerable Adults Operations (Ch. 60)	1,093	-	1,093	218	218	436
Opiate Epidemic Response (Ch. 63)	309	-	309	-	-	-
Central Office Total	12,593	13,770	26,363	(45,944)	(45,944)	(91,888)
Total-Department of Human Services	(117,163)	(63,835)	(180,998)	(138,236)	(190,607)	(328,843)
<u>Department of Health</u>						
Public Health Laboratory Equipment	840	655	1,495	-	-	-
Comprehensive Suicide Prevention	2,730	2,730	5,460	3,730	3,730	7,460
Skin Lightening Cream Education Grants	100	100	200	-	-	-
Statewide Tobacco Cessation	1,598	2,748	4,346	2,878	2,878	5,756
Prescription Drug Price Transparency	899	721	1,620	691	691	1,382
Safe Harbor for Sexually Exploited Youth	525	475	1,000	525	475	1,000
Domestic Violence Prevention Grants	375	375	750	-	-	-
Operating Adjustment	1,008	1,112	2,120	1,639	1,639	3,278
Community Solutions for Health Child Development Grants	1,000	1,000	2,000	1,000	1,000	2,000
Opiate Epidemic Response (Ch. 63)	1,288	-	1,288	-	-	-
Assisted Living Licensure (Ch. 60)	9,656	9,416	19,072	5,800	5,369	11,169
Total-Department of Health	20,019	19,332	39,351	16,263	15,782	32,045
Emergency Medical Services Regulatory Board	144	206	350	173	173	346
Council on Disability	156	146	302	146	146	292
Ombudsperson for Families	247	256	503	256	256	512
Board of Pharmacy (Ch. 63)	370	-	370	-	-	-
MNsure	8,000	-	8,000	-	-	-
Total All Agencies	(88,227)	(43,895)	(132,122)	(121,398)	(174,250)	(295,648)

Appendix H						
FY 2020-23 Contingencies and Transfers (dollars in thousands)						
Description	Chapter	Citation	Type	FY 2020-21	FY 2022-23	Notes
Disaster Assistance Contingency Account (DACA)	1 SpS 3	Art 1, Sec 11	Closing Balance	20,000	-	DACA and Metro Mobility will receive a proportional allocation of the FY 2018-19 General Fund closing balance if FY 2018-19 closes at an amount that is higher than was estimated at the end of the 2019 legislative session. If the funds are insufficient, DACA and Metro Mobility will be proportionally reduced. The DACA allocation will be transferred in FY 2020.
Metro Mobility	1 SpS 3	Art 1, Sec 11	Closing Balance	13,000	-	DACA and Metro Mobility will receive a proportional allocation of the FY 2018-19 General Fund closing balance if FY 2018-19 closes at an amount that is higher than was estimated at the end of the 2019 legislative session. If the funds are insufficient, DACA and Metro Mobility will be proportionally reduced. The Metro Mobility allocation will be appropriated in FY 2021.
Safe Schools Supplemental Aid	1 SpS 11	Art 5, Sec. 5	Closing Balance	30,000	-	If the FY 2018-19 closing balance is sufficient, following the DACA and Metro Mobility allocation, the next \$30 million of excess balance is allocated to safe schools supplemental aid. The aid will be proportionally allocated to school districts and charter schools on a per pupil basis in FY 2020.
Reduced Managed Care Rate Trend Assumption (0.8%)	1 SpS 9	Art 7, Sec. 35	Transfer Backup	(29,540)	(115,610)	If the savings attributable to the assumed reduction in managed care rates is not realized, a transfer from the premium security plan account (up to \$145.2 million) will be made to the General Fund to offset the difference.
Blue Ribbon Commission Savings	1 SpS 9	Art 14, Sec 7	Transfer Backup	-	(100,000)	Assumes the enactment of \$100 million of FY 2022-23 savings compared to the base in the 2021 session. If the savings are not enacted, or do not equal at least \$100 million, then up to \$100 million is transferred from the budget reserve to the General Fund to offset the difference.

Appendix I

2019 Session Laws Enacting the FY 2020-21 Budget and Supplementing the FY 2018-19 Budget

Chapter Number	File Number	Description
<u>1</u>	HF 861	Appropriating money for the Minnesota licensing and registration system (MNLARS) and driver and vehicle services
<u>2</u>	HF 80	Capital investment; Authorizing general obligation bonds for projects previously authorized with appropriation bonds
<u>11</u>	HF 50	Prohibiting cellphone use while driving
<u>12</u>	HF 679	Appropriating money for children's residential mental health treatment facilities, and the medical assistance program
<u>34</u>	HF 2849	Providing student relief from Argosy University closure
<u>39</u>	SF 278	Minnesota Pharmacy Benefit Manager Licensure and Regulation Act
<u>51</u>	HF 2697	Appropriating money for claims against the state
<u>58</u>	HF 990	Residential mortgage license requirements
<u>60</u>	HF 90	Establishing consumer protections for residents of assisted living establishments
<u>63</u>	HF 400	Establishing an opiate epidemic response advisory council
<u>64</u>	SF 2415	Omnibus Higher Education Act
<u>65</u>	SF 973	Establishing an advisory council on rare diseases
<u>1 SpS. 1</u>	SF 1	Omnibus Agriculture, Rural Development, and Housing Act
<u>1 SpS. 2</u>	SF 3	Omnibus Legacy Funds Act
<u>1 SpS. 3</u>	HF 6	Omnibus Transportation and Public Safety Act
<u>1 SpS. 4</u>	SF 7	Omnibus Environment and Natural Resources Act
<u>1 SpS. 5</u>	SF 8	Omnibus Judiciary and Public Safety Act
<u>1 SpS. 6</u>	HF 5	Omnibus Tax Act
<u>1 SpS. 7</u>	HF 2	Omnibus Jobs and Economic Growth Act
<u>1 SpS. 8</u>	HF 10	Omnibus Pensions Act
<u>1 SpS. 9</u>	SF 12	Omnibus Health and Human Services Act
<u>1 Sps. 10</u>	SF 10	Omnibus State Government and Veterans Act
<u>1 Sps. 11</u>	HF 1	Omnibus E-12 Education Act
<u>1 SpS. 13</u>	HF 12	Authorizing housing infrastructure bonds

Note: All chapter numbers are 2019 Regular Session unless indicated. For detailed language of each act, please see:

<https://www.revisor.mn.gov/laws/2019/0/> (2019 Session laws)

<https://www.revisor.mn.gov/laws/2019/1/> (2019 First Special Session laws)

