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MINNESOTA OFFICE OF HIGHER EDUCATION
reach higher

January 22, 2007

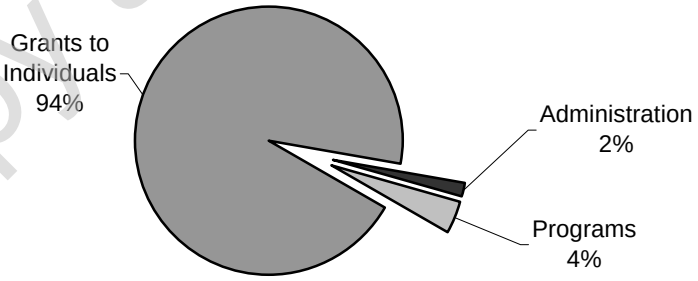
The 2007 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Office of Higher Education's recommendation for the FY 2008-09 budget. This budget consists of $491.7 million from the state's General Fund and $329.2 million from other funds for a total of $820.9 million. This is a 23.9% increase from FY 2006-07 spending for all funds. About 94% of the General Fund appropriation is for grants to individuals.

These recommendations include $92 million for the new ACHIEVE program, $30 million for the new Minnesota GI Bill program, $12 million for the state grant program and increased funding for the learning network and reciprocity programs.

The Office is a cabinet level state agency administering financial aid programs for students and providing information to families to help them gain access to post-secondary education. The state financial aid programs include student loan programs and the state grant, work study, and child care aid programs. Ongoing tuition increases at post secondary institutions in the state and the changing demographics of the student population continue to put pressure on these aid and loan programs.

Office of Higher Education
$491.7 Million FY 2008-09 General Fund



The agency serves as the state's clearinghouse for data, research and analysis on post-secondary enrollment, financial aid, finance and trends. In addition it oversees tuition reciprocity programs, Minnesota's 529 college savings program, licensing, an early awareness outreach initiative for youth, education technology infrastructure, and shared library resources.

We look forward to working with the legislature in the coming months.

Sincerely,

Susan Heegaard
Director

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Agency Purpose

The purpose of the Minnesota Office of Higher Education is to:

- help students achieve financial access to post-secondary education;
- enable students to choose among post-secondary education options;
- protect and inform educational consumers;
- produce independent, statewide information on post-secondary education; and
- facilitate interaction among and collaboration with organizations that share responsibility for education in Minnesota.

The Office of Higher Education became a cabinet-level agency following the 2003 legislative session. The agency administers programs, and gathers and reports data. The director serves as the governor's advisor on higher education.

At A Glance

Two-year State Budget:
$349 million General Fund
$296 million Student Loan Fund
$ 11 million Federal and Agency Funds

More than 90% of the agency's General Fund appropriation is for grants to students.

Annual Business Processes:
$124 million in grants to 73,000 students
$123 million in student loans to 32,000 students
$ 12 million in work study to 11,000 students

23,000 Minnesota students participate in interstate tuition reciprocity.

150 private institutions registered or licensed.

42,000 accountholders in the Minnesota College Savings Plan, with more than $453 million in assets in June 2006.

Core Functions

M.S. Chapter 136A, gives the Minnesota Office of Higher Education core responsibilities to:

- administer state financial aid programs for students;
- publish and distribute to students and parents information about academic and financial preparation, including financial aid;
- approve, register, and license private colleges and career schools;
- oversee statewide library service programs that improve access to information and support cost-effective library operations;
- collect, maintain and report data and analysis on higher education including data on student enrollment, financial aid, and higher education accountability;
- administer federal programs that affect students and institutions on a statewide basis;
- prescribe policies, procedures, and rules necessary to administer the programs under the agency's supervision; and
- negotiate and administer statewide interstate tuition reciprocity programs.

Operations

Through delivery of its core programs, the Office of Higher Education serves several constituencies including:

- current college students;
- students and families who are preparing for post-secondary education;
- colleges and universities that participate in financial aid administration and library services for students;
- students and educators in the K-12 system; and
- policymakers and researchers who evaluate programs and policies and use statewide post-secondary education data.

The Office of Higher Education provides programs and services through different means, including:

Student Financial Aid Programs. The Minnesota State Grant Program provides more than $120 million in need-based aid to Minnesota students annually. The agency's other core financial aid programs are the Student Educational Loan Fund (SELF), the Minnesota College Savings Plan, and the Interstate Tuition Reciprocity agreements. The agency also administers other student financial aid programs such as the Post-Secondary Child Care Grant Program, State Work Study Program, and the Public Safety Officers' Survivors Benefit Program.

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These programs enable thousands of Minnesota students to have financial access to, and choice of, post-secondary educational opportunities.

Research and Analysis. The agency collects and reports information on higher education enrollment, financial aid and trends. In 2006, the Office of Higher Education will produce the first higher education accountability report that will measure the higher education sector's effectiveness in meeting state goals. The agency serves as a clearinghouse for public information on Minnesota higher education including issues like participation rates, degrees granted, and how students pay for college.

Outreach and Publications. The agency's publications, web sites, interactive resources and direct contact with students and families enable it to provide outreach to current and prospective college students including communities of color, low-income families, and families with no previous higher education experience. The Get Ready program, working in tandem with the federally-sponsored GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) and the state-funded Intervention for College Attendance Program grants, provide a continuum of contact and service to low income students from 4th grade through high school as they prepare for college admission and attendance. The two programs enable the agency to expand its outreach effectiveness to students.

Library Resources. The MINITEX Library Information Network provides students, scholars, and residents of Minnesota and contiguous states with cost effective access to a wide range of library resources and information, including delivery of interlibrary loan materials, cooperative licensing, and access to electronic resources. The Minnesota Library Information Network (MnLINK) is a statewide virtual library that electronically links major Minnesota libraries. The MnLINK Gateway connects the online catalogs of 20 Minnesota library systems and selected commercial databases so that they appear to a user as a single source of information. The MnLINK Integrated Library System is being implemented as a shared library automation system for the University of Minnesota, Minnesota State Colleges and Universities, Minnesota state agencies and interested private college, public, school, and special libraries. The Learning Network of Minnesota provides access to educational programs and library resources through web-based learning interactive videos, and other telecommunications technology. The Learning Network enables students to have access to learning opportunities that otherwise would be unavailable at their college or in their geographic area.

Licensing and Registration. Through state laws that outline the registration and licensure requirements of private colleges, universities, and career schools, the Office of Higher Education protects students as consumers by ensuring that private post-secondary institutions meet state standards and operate legally in Minnesota.

Budget

The Office of Higher Education's budget for the 2006–07 biennium totals approximately $647 million. Of this amount, $362 million (56%) is state General Fund monies, $274 million (42%) is the Student Loan Capital Fund, and the remaining $11 million (2%) is comprised of special revenue, federal and agency funds.

The Office of Higher Education staff includes 67 full-time equivalent employees, of which 24 are state funded.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	169,129	177,181	177,181	177,181	354,362
Recommended	**169,129**	**177,181**	**238,845**	**239,856**	**478,701**
Change		0	61,664	62,675	124,339
% Biennial Change from 2006-07					38.2%
Misc Special Revenue					
Current Appropriation	3,000	0	0	0	0
Recommended	**3,000**	**0**	**0**	**0**	**0**
Change		0	0	0	0
% Biennial Change from 2006-07					-100%
Expenditures by Fund					
Direct Appropriations					
General	154,604	191,896	238,920	239,906	478,826
Misc Special Revenue	0	3,000	0	0	0
Statutory Appropriations					
Misc Special Revenue	597	511	398	340	738
Federal	4,000	5,329	4,772	4,767	9,539
Miscellaneous Agency	218	0	0	0	0
Office Of Higher Education	142,974	150,404	156,341	162,384	318,725
Total	**302,393**	**351,140**	**400,431**	**407,397**	**807,828**
Expenditures by Category					
Total Compensation	4,093	4,909	4,946	5,040	9,986
Other Operating Expenses	16,872	17,672	17,844	18,564	36,408
Payments To Individuals	143,021	179,177	226,199	227,351	453,550
Local Assistance	11,192	14,344	11,404	11,404	22,808
Other Financial Transactions	127,215	135,038	140,038	145,038	285,076
Total	**302,393**	**351,140**	**400,431**	**407,397**	**807,828**
Expenditures by Program					
Student Financial Aid-Outreach	146,086	183,638	230,417	231,394	461,811
State Student Loans	141,880	149,093	155,013	161,033	316,046
Fiscal Policy & Research	3,019	6,316	2,801	2,745	5,546
Libraries And Technology	9,195	9,035	9,581	9,581	19,162
Agency Administration	2,213	3,058	2,619	2,644	5,263
Total	**302,393**	**351,140**	**400,431**	**407,397**	**807,828**
Full-Time Equivalents (FTE)	**61.9**	**66.3**	**68.3**	**68.3**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**177,181**	**177,181**	**177,181**	**354,362**
Subtotal - Forecast Base	**177,181**	**177,181**	**177,181**	**354,362**
Change Items				
ACHIEVE Grants	0	39,452	39,452	78,904
"Minnesota GI Bill" Program	0	15,000	15,000	30,000
State Grant Program	0	5,598	6,568	12,166
State Grant Pell Savings	0	0	0	0
Interstate Tuition Reciprocity	0	1,000	1,000	2,000
Learning Network of Minnesota	0	575	575	1,150
Compensation Adjustment	0	39	80	119
Total Governor's Recommendations	**177,181**	**238,845**	**239,856**	**478,701**
Fund: MISC SPECIAL REVENUE				
FY 2007 Appropriations	**0**	**0**	**0**	**0**
Subtotal - Forecast Base	**0**	**0**	**0**	**0**
Total Governor's Recommendations	**0**	**0**	**0**	**0**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**511**	**398**	**340**	**738**
Total Governor's Recommendations	**511**	**398**	**340**	**738**
Fund: FEDERAL				
Planned Statutory Spending	**5,329**	**4,772**	**4,767**	**9,539**
Total Governor's Recommendations	**5,329**	**4,772**	**4,767**	**9,539**
Fund: OFFICE OF HIGHER EDUCATION				
Planned Statutory Spending	**150,404**	**156,341**	**162,384**	**318,725**
Total Governor's Recommendations	**150,404**	**156,341**	**162,384**	**318,725**

Revenue Change Items

Fund: MISC SPECIAL REVENUE				
Change Items				
Rewrite Regulatory Statute- 136A.61	0	(10)	(10)	(20)

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Program Description

To compete in today's global economy, most Minnesotans will enroll in some form of post-secondary education. As education has become more essential, Minnesota has enacted significant financial aid programs and other assistance to help overcome barriers to post-secondary education. The activities supported by the Office of Higher Education's Student Financial Aid Services are part of the state's strategy to keep education affordable and accessible for all Minnesota residents. The goal of state financial aid programs is to support the ability of students to choose the post-secondary institution that best meets their educational needs, regardless of their financial circumstances.

Financial Aid Activity

The **Minnesota State Grant** program is a need-based grant program for Minnesota undergraduate students that is designed to provide students with post-secondary opportunities that best meet their educational needs, regardless of their financial circumstances. The program's framework assigns responsibility for paying for college to the student, the family and the taxpayers if needed. The program expects a student to make a significant but reasonable investment in his or her own education and provides flexible opportunities to meet this expectation through work and borrowing.

The State Grant program is among the largest need-based student aid programs in the country and is coordinated with the federal Pell Grant program. Students apply for the State Grant by completing the federal Free Application for Federal Student Aid (FAFSA). The State Grant program served 73,410 students and awarded $124.4 million in FY 2005. The average State Grant is about $1,700. Eligible students are Minnesota residents attending a public or private college or university in Minnesota who demonstrate a financial need.

Program at a Glance

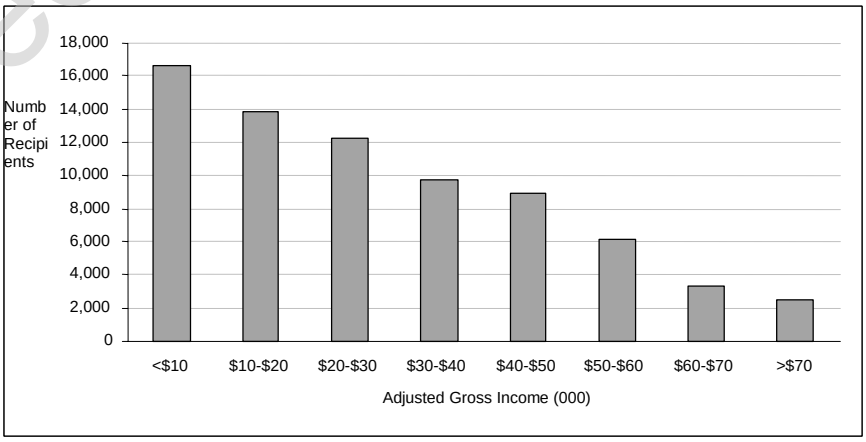
Financial Aid at a Glance

- State student financial aid programs serve approximately 80,000 students and distribute $140 million dollars of aid.
- There were 42,786 Minnesota College Savings Plan accounts with a total market value of $452.9 million on 6-30-2006.
- As of 6-30-2006, 2,403 Minnesota College Savings Plan account beneficiaries received matching grants based on 2005 contributions.

Outreach at a Glance

- Get Ready serves 2,000 students directly in eight urban schools and reaches another 23,000 through its outreach services.
- For the 2006-07 biennium, 13 service-learning projects at colleges and community-based organizations have been awarded state grants ranging from $6,000 to $20,000.
- More than 8,000 students, 1,500 faculty, 500 staff and 9,000 community members are involved with state and federal service-learning programs.
- As fiscal agent for the third year of a $380,000 federal Learn and Serve America award, the agency awarded 35 grant projects promoting active citizenship.
- For FY 2005, the federal Improving Teacher Quality Program supports 22 grants, ranging from $30,000 to $48,000, to seven Minnesota higher education institutions and two nonprofit organizations for projects serving high-need school districts.

Minnesota State Grant Recipients by Income Level, 2005



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The Safety Officers Survivor's Program provides to grants survivors of Minnesota public safety officers killed in the line of duty. In 2005, the program served 14 students and spent $72,282.

The **Minnesota Work Study** program provides students with part-time jobs so that students can earn money to help meet their assigned payment responsibilities. Students demonstrate their need for Work Study by completing the Free Application for Federal Student Aid. State Work Study served 10,924 students who earned $18 million, of which $12 million were state funds.

The **Minnesota Post-Secondary Child Care Program** provides students with dependent children with need-based child care grants to help offset the cost of childcare while they are in college. Students may receive up to $2,300 per dependent child in FY 2007. The program served 2,662 students in FY 2005.

The Minnesota SELF Loan Program is described in another section.

The **Minnesota College Savings Plan** encourages individuals and families to save for post-secondary education. This "529 Plan" is defined and permitted under Section 529 of the United States Internal Revenue Code. Earnings in the Minnesota College Savings Plan are tax deferred while invested and tax-free when distributed for qualified higher education expenses. Qualified expenses are defined in federal law and include tuition and fees plus room and board if the student attends at least half-time and books, supplies, and equipment required for enrollment.

One of the Plan's features is that it provides a state-funded matching grant to account beneficiaries from low- and middle-income Minnesota families. The matching grant is available to Minnesota resident account beneficiaries whose parent files a Minnesota individual income tax return with federal adjusted gross income of $80,000 or less. If the beneficiary's family income is $50,000 or less, 15% of the contribution can be matched, up to a total of $300 annually. If the beneficiary's family income is between $50,000 and $80,000, 5% of the contribution can be matched up to a total of $300 annually.

Tuition reciprocity agreements are negotiated and administered by the Minnesota Office of Higher Education. The agreements remove tuition and admissions barriers for Minnesota residents interested in attending public post-secondary institutions in Wisconsin, South Dakota, North Dakota and Manitoba. Under the reciprocity agreements, 23,000 Minnesota students attended colleges and universities in neighboring states at reduced prices in FY 2006. The agreements, each of which is structured differently, often include a calculation that can result in interstate payments based upon enrollment and the cost of instruction. This mechanism ensures that neither state bears a disproportionate share of the burden of educating the other state's residents. In December 2005 Wisconsin paid Minnesota $6.5 million and there was no payment from North Dakota. In 2006 Wisconsin will pay Minnesota $7.6 million and Minnesota will pay North Dakota $1.1 million.

Outreach Activity

The **Get Ready/GEAR UP** program provides under-represented groups the opportunity to learn about and prepare for educational opportunities beyond high school. The Get Ready Program is an early awareness program operated by the agency and funded in part with federal GEAR UP dollars that provides low-income students at an early age (fourth grade through middle school) and their parents with college and career planning information and academic skill preparation to encourage and prepare them to successfully complete high school and pursue higher education. The Get Ready program serves approximately 2,000 annually in eight Title I schools in Minneapolis and St. Paul. Through its outreach efforts, the program provides its resources and support to an additional 21,000 students across the state.

The agency provides **Student and Parent Information** to students and citizens of Minnesota by developing and distributing publications, maintaining several web sites, making presentations and participating in special events. Efforts are designed to encourage post-secondary participation by providing information about college and how to pay for it, especially to low-income families and families of color.

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Minnesota's **Intervention for College Attendance Program** is a grant program administered by the Office of Higher Education. The program awards grants on a competitive basis to encourage and support efforts by post-secondary institutions and community agencies to enhance and/or expand pre-college awareness or intervention programs for low-income students. The Intervention for College Attendance Program (ICAP) provided $446,000 to 14 early intervention programs serving 2,933 low income students in 2006.

The state **Post-Secondary Service Learning** Program supports collaborative projects of at least one campus and one community-based organization. In some cases, the community organization manages the program. Each grant-funded project engages students in service activities in local communities. "Service-learning" enhances students' academic experience, promotes career exploration, and builds a commitment to life-long civic engagement and service.

The federal **Learn and Serve America** Program supports efforts to make service and service-learning a part of the fundamental mission of colleges and universities. The three initiatives of this program emphasize partnerships that build social and economic vitality, student leadership, and improved departmental curricula.

Federal **Improving Teacher Quality Grants** are awarded to partnerships to conduct professional development in mathematics, science, and social studies to ensure that teachers and paraprofessionals are highly qualified in the subject matter and teaching skills. Eligible partnerships must include a teacher preparation division and school of arts and sciences of a higher education institution and a high-need school district.

Population Served

The Minnesota State Grant Program, the Post Secondary Child Care Program, the Safety Officers Survivors Program, and State Work Study serve Minnesota residents attending Minnesota post secondary institutions. Interstate Tuition Reciprocity serves Minnesota residents attending public institutions in Wisconsin, North Dakota, South Dakota, a college in Iowa, and Manitoba. It also serves students from those states that attend Minnesota public institutions. The Minnesota College Savings program is available to residents and non-residents alike. Outreach Programs target Minnesota residents especially low income populations and those with little or no experience with higher education. The College Savings Plan can serve account holders anywhere, not just Minnesota families.

Key Measures

The Minnesota State Grant Program and Safety Officers Survivors Program reduce the cost of postsecondary education by awarding funds that do not have to be repaid. The State Work Study program pays part of the wages for low-income students while they work at an eligible job, thus making it easier for them to find a job while in college. The Post Secondary Child Care Program helps students pay for childcare while they attend college.

The College Savings Plan encourages saving by reducing tax barriers to saving for college. Interstate Tuition Reciprocity reduces cost barriers for students who want to attend a public college in a partner reciprocity state. The Outreach Programs and Activities help students plan both financially and academically for college.

Key measures for financial aid:

- ⇒ The State Grant area of the Office of Higher Education, which handles State Grants, Work Study, Child Care Grants and Safety Officer Survivors, receives an average of 110 phone calls and e-mail inquiries per week from students and parents.
- ⇒ The financial aid area is staffed by fewer than five full-time equivalents.
- ⇒ Fund requests by institutions are received, evaluated, processed approved and funds are transferred within 48 hours.
- ⇒ The state administrative costs for the State Grant represent 0.32% of the cost of the program.
- ⇒ 19,000 Minnesota residents are participating in tuition reciprocity in Wisconsin, North Dakota, South Dakota and Manitoba;

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Key measures for outreach:

⇒ In an end-of year evaluation, 95% of the Get Ready Program students agreed that the program helped them learn the ways to pay for college; 95% agreed that the program helped the learn how much it cost to attend different types of post-secondary institutions; 98% of participants agreed that he program has helped them learn more about different careers and the educational requirements for those careers; and 85% of the Get Ready parents indicated that through the program they gained knowledge about various ways to finance a post-secondary education.

⇒ The Intervention for College Attendance Program (ICAP) provided $446,000 to 14 early intervention programs serving 2,933 low income students across the state in 2006.

⇒ The agency's informational web sites received 1.4 million hits in 2006 and students, parents and educators requested approximately 250,000 publications from the agency on preparing, selecting and paying for college.

Budget

The Minnesota State Grant Program (which includes funding for the Post-Secondary Child Care Program and Safety Officers Survivors), State Work Study, the Intervention for College Attendance program, and the student financial aid services administration are all funded through the state's General Fund. Interstate Tuition Reciprocity receives a General Fund appropriation.

The Minnesota College Savings Plan is funded through fees on the accounts and an allocation from the General Fund.

The Get Ready program leverages state funds with federal GEAR UP grant funds.

The student and parent information activities are funded through the General Fund.

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OFFICE OF HIGHER EDUCATION

Program: STUDENT FINANCIAL AID-OUTREACH

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	157,134	165,531	165,531	165,531	331,062
Subtotal - Forecast Base	157,134	165,531	165,531	165,531	331,062
Governor's Recommendations					
ACHIEVE Grants		0	39,452	39,452	78,904
"Minnesota GI Bill" Program		0	15,000	15,000	30,000
State Grant Program		0	5,598	6,568	12,166
State Grant Pell Savings		0	0	0	0
Interstate Tuition Reciprocity		0	1,000	1,000	2,000
Compensation Adjustment		0	5	12	17
Total	**157,134**	**165,531**	**226,586**	**227,563**	**454,149**
Expenditures by Fund					
Direct Appropriations					
General	143,420	179,566	226,636	227,613	454,249
Statutory Appropriations					
Misc Special Revenue	24	0	0	0	0
Federal	2,642	4,072	3,781	3,781	7,562
Total	**146,086**	**183,638**	**230,417**	**231,394**	**461,811**
Expenditures by Category					
Total Compensation	1,459	1,774	1,799	1,814	3,613
Other Operating Expenses	1,145	1,815	1,783	1,583	3,366
Payments To Individuals	143,021	179,167	226,189	227,351	453,540
Local Assistance	439	857	621	621	1,242
Other Financial Transactions	22	25	25	25	50
Total	**146,086**	**183,638**	**230,417**	**231,394**	**461,811**
Expenditures by Activity					
State Grants	129,791	163,343	211,046	212,016	423,062
Mn College Savings Program	287	1,753	1,020	1,020	2,040
Interstate Tuition Reciprocity	525	1,475	2,000	2,000	4,000
State Work Study	12,412	12,476	12,444	12,444	24,888
Outreach Programs	2,623	4,109	3,420	3,420	6,840
Student Financial Aid Services	448	482	487	494	981
Total	**146,086**	**183,638**	**230,417**	**231,394**	**461,811**
Full-Time Equivalents (FTE)	**25.1**	**26.1**	**28.1**	**28.1**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$39,452	$39,452	$39,452	$39,452
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$39,452	$39,452	$39,452	$39,452

Recommendation

The Governor recommends the establishment of a new grant program for higher education called ACHIEVE (Academic Competitiveness Highlighting Individual Excellence and Valuing Education). This program would provide grants to students at high school graduation to be used for post-secondary education costs. To be eligible, students must come from families with incomes of $100,000 or less. The grants are earned each time a qualifying student enrolls in and passes a rigorous course (for example, courses through programs like Advanced Placement, International Baccalaureate, Post Secondary Enrollment Options, or College Level Examination Program). The state will pay $314 for each course and deposit the funds into an account established for the student. Funds would accumulate and be made available to the student upon graduation from high school, to be used at a Minnesota higher education institution of his or her choice.

Background

The competition for business and economic development no longer comes only from other states; it comes from other nations across the globe. At the same time the economy is more driven by rapid technological change in products and services. Minnesota and the U.S. can never compete on costs with these foreign competitors nor can we compete on sheer numbers with countries like China and India. These countries are so large they can compete globally by only training a small percentage of their population. In order to be competitive Minnesota students must work harder and work smarter. The structure of the ACHIEVE program addresses these issues. It promotes rigorous course taking by rewarding students with funds to help pay for college. By focusing on families with a household income below $100,000 it may make it more likely that many children, including children from groups that have historically been underrepresented in higher education, will attend college.

The appropriation includes funds for administrative costs. They would cover one support staff position, computer programming costs associated with the implementation of a new program, printing, advertising, postage and training costs. Administrative expenses for the first year are higher because of the initial computer programming necessary to establish this new financial aid program.

Relationship to Base Budget

This is a new program.

Key Measures

The Office of Higher Education (OHE) will monitor improvements in enrollment levels of students from qualifying families and changes in course taking at the secondary level.

⇒ The office will be able to administer this new program with only one additional staff person because it will be able to leverage the experience of the current financial aid staff. OHE will be able to use the current connections and relationships already established through the existing financial aid programs.

⇒ Depending on how the program is structured OHE will be able use the current electronic funds transfer accounts and other administrative structures already in place.

⇒ OHE may be able to use the existing State Grant electronic communication channels to send data back and forth between the state and the higher education institutions.

Statutory Change: New statutory language is required in Minnesota Statutes chapter 136A.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$15,000	$15,000	$15,000	$15,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$15,000	$15,000	$15,000	$15,000

Recommendation

The Governor recommends the creation of a Minnesota GI Bill program with a General Fund appropriation of $15 million each year in FY 2008 and FY 2009. These amounts would be used to fund payments of up to $1,000 per semester ($2,000 per fiscal year), with a maximum lifetime payment of $10,000, to military veterans or spouses and children of Minnesota veterans who were severely disabled or died during or as the direct result of their military service. These payments would be used to partially fund the post-secondary education eligible students who are attending an eligible post-secondary educational institution in this state. The recommended amounts include the administrative costs associated with this program.

Background

This new program will provide financial assistance for postsecondary education to Minnesota veterans or service members who have provided honorable service to this state and nation as members of the United States armed forces on or after 8/2/90, whether in peacetime or in war.

All veterans and service members whether serving within the United States during peacetime or in a combat zone have voluntarily taken on the responsibility of the defense of this country and its Constitution. Many of these veterans and service members have had their pursuit of education interrupted in order to serve, or have elected to serve as a means of earning the financial resources that will help them attain their educational objectives. In addition many current service members have had their terms of enlistment or length of deployments extended, and this has resulted in additional disruption of their educational pursuits. These individuals have paid an immeasurable cost to protect this nation and its Constitution, and it is appropriate that the state of Minnesota provide some compensation to these individuals.

In addition, the spouses and children of the Minnesota veterans who were severely disabled or died during or as the direct result of their military service would also receive financial assistance for postsecondary educational costs under this program. The family members of the Minnesota veterans who have given so much through their military service and who are attending an eligible post-secondary educational institution in this state are also in need of and deserve these state-provided educational benefits.

The amount received by each eligible student will be based on a cost of education as defined by 136A.121, subd.6, less the amounts received by the eligible student from the federal Pell Grant, Minnesota State Grant, and federal military veteran's educational benefits. The amount paid to the eligible student will not exceed $1,000 per semester ($2,000 per fiscal year), with a maximum lifetime payment of $10,000.

Relationship to Base Budget

This is a new program.

Key Measures

The Office of Higher Education will monitor the number of recipients in the program and distribution of benefits to applicants and types of applicants to measure the impact of the changes.

Statutory Change: New statutory language will be required for this new program.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$5,598	$6,568	$6,568	$6,568
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$5,598	$6,568	$6,568	$6,568

Recommendation

The Governor recommends an increase in the appropriation for the state grant program of $5.598 million in FY 2008 and $6.568 million in FY 2009. These increases would be used to change various parameters in the program. Base resources for the program are approximately $145.9 million each year, including a base appropriation of $144.8 million and federal resources of $1.1 million. Current spending projections for the state grant program are approximately $12 million lower than this base level. The Governor's recommendations for the program also include using current resources to change various state grant parameters. These recommended changes are described in the section below.

Background

The state grant program has played an important role in aiding students from low-income families to meet the cost of higher education. Tuition rates have gone up substantially in Minnesota and across the country over the last five years. For example, the tuition and fee component for the Consumer Price Index nationally has increased by over 43% between 2000 and 2005. Students have been forced to take on more debt in order to complete a degree and move into the job market. These changes are generally difficult for all students to bear, but they are especially hard on students from low-income families that have few discretionary funds to help pay for higher education.

The appropriation level for the state grant program has been relatively flat for five years. In the 2005 session no new money was added, although some savings from federal changes in the related Pell Grant program were reinvested in the state grant program and the base for budget planning purposes was increased.

There are a number of elements outside the state's direct policy control that affect spending in the program and must be recognized for budget purposes. Tuition and fee changes at the institutions increase spending in the program. Increases in enrollment by eligible students will drive demand for the program higher. An element that has an opposite effect is family income levels. Spending in the program will decrease as family incomes improve and financial need declines for students receiving state grants.

The Governor recommends increasing the tuition maximums (caps) used in calculating State Grant awards by $400. In 2007 the tuition maximum is $9,438 for students in four-year programs of study and $6,436 for students in two-year programs. The new caps would be $9,838 for students in four-year programs and $6,836 for students in two-year programs. The cost of this change is estimated to be approximately $5.7 million each year.

The Governor's recommendation also increases the living and miscellaneous expense allowance (LME) to $5,550. This is a $200 increase over current law. The cost of this change is approximately $6.2 million each year. This allowance recognizes expenses of students that are related to college but above tuition and fees costs. These include housing, food, transportation and other miscellaneous expenses. (The LME amount in law for 2007 was $5,350. However, the Office had temporary authority to use projected surplus funds in the program to increase the LME for 2007 on a one-time basis. Under this authority, OHE used the surplus funds to set the actual LME for 2007 at $6,035.)

The final element included in the Governor's recommendation is an adjustment in the federal need analysis as used to calculate Assigned Family Responsibilities. The assessment, or "tax" rate, in the need analysis is used to determine expected family contributions and assigned family responsibilities for both dependent students and

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independent students. The current rate increases the amount in the family share quite rapidly for lower-middle income students. The recommended change would make a small reduction in the rate. (There is already an adjustment in calculating assigned family responsibilities for independent students and this change would also increase that amount.) The cost of this change is approximately $6.34 million annually.

Relationship to Base Budget

This is an increase of approximately 4% in the State Grant program.

Key Measures

The Office of Higher Education will monitor changes in the number of recipients in the program and shifts in the income distribution of applicants to measure the impact of the changes.

Statutory Change: New rider language is required. Changes to M.S. 136A.121 are also required.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends that the savings to the State Grant financial aid program that will result when the federal Pell Grant program's maximum per-student award amount increases by $260.00 on July 1, 2007 be retained in the State Grant program. To retain the savings, the Governor recommends changing one of the program's cost parameters. The Governor recommends reducing the program's assigned student responsibility percentage from the current 46% by 1.5 percent, down to a new level of 44.5%. The cost of this change is $10.5 million each year in FY 2008 and FY 2009; it will be funded using the savings generated from the federal Pell change.

Background

Federal legislation was signed into law in February of this year that increases the maximum Pell Grant by $260 to $4,310, effective July 1, 2007.

When the amount of an eligible student's State Grant stipend is calculated, state law specifies that "the amount of a federal Pell grant award for which the grant applicant is eligible" must be deducted and excluded from the calculation. This provision means that when the federal Pell grant award amount increases, that increase is offset by a corresponding decrease in an eligible student's State Grant award.

The Governor recommends recognizing this cost savings and retaining it in the State Grant program by lowering the program's assigned student responsibility percentage. The State Grant program contains a number of eligibility requirements and cost parameters that determine a student's final grant award. One of the parameters is the "assigned student responsibility," which set in statute at 46 percent of the recognized cost of attending the institution of the student's choosing. The assigned student responsibility percentage does not vary based on income; it is the same percentage for all applicants.

Lowering the assigned student responsibility to 44.5% benefits all State Grant recipients. This recommendation helps students facing the high cost of postsecondary tuition because it reduces the share of recognized costs that a student is expected to cover through his or her own resources. (This change will also increase the number of applicants receiving State Grant awards, especially among students currently receiving a Pell grant but no State Grant, and among those students who are currently near the eligibility cut-off point.)

The Office of Higher Education estimates that the federal Pell grant increase will result in a savings of $10.9 million each year in the State Grant program. Forecasted increases in household income also affect the Office's estimates for State Grant spending. February forecast increases in projected household income led to small decreases in projected spending for the State Grant program.

The table below identifies the fiscal impact of each element of this new recommendation.

($000s)	FY 2008	FY 2009	FY 2010	FY 2011
Savings from Pell increase	$(10,900)	$(10,900)	$(10,900)	$(10,900)
Savings from increases in family incomes	(750)	(500)	(500)	(500)
Cost to lower Assigned Student Responsibility to 44.5%	10,500	10,500	10,500	10,500

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Relationship to Base Budget

This recommendation does not change the General Fund base budget for the State Grant program.

Key Measures

The Office of Higher Education will monitor changes in the number of recipients in the program to measure the impact of this change.

Statutory Change: Minnesota Statutes 136A.121, subdivision 5.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,000	$1,000	$1,000	$1,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,000	$1,000	$1,000	$1,000

Recommendation
The Governor recommends a $1 million annual increase in the General Fund appropriation for interstate tuition reciprocity for the FY 2008-09 biennium. The increases resources will be used to cover projected increases in Minnesota's tuition reciprocity obligation to North Dakota.

Background
Minnesota's interstate tuition reciprocity program serves about 23,000 Minnesotans and 19,000 residents of Wisconsin, North Dakota, South Dakota, Manitoba and Iowa. Minnesota's agreements with Wisconsin and North Dakota provide for an interstate tuition reciprocity payment. Minnesota is projected to owe North Dakota an interstate tuition reciprocity payment in both the FY 2008-09 and FY 2010-11 biennia. (Over the same period Wisconsin is projected to owe Minnesota an interstate tuition reciprocity payment.)

Increasingly, more Minnesotans are choosing to attend North Dakota public post-secondary institutions. Correspondingly, fewer North Dakotans are choosing Minnesota public post-secondary education institutions. This is partly a result of the demographics of the two states. Minnesota had roughly 63,000 high school graduates in 2006, while North Dakota had about 8,000. Both states are projected to experience decreasing numbers of high school graduates. North Dakota's high school graduate numbers are projected to decrease at a more rapid rate than Minnesota's.

The "gap" number of full-time equivalent student enrollments, or the difference between the number of Minnesotans attending in North Dakota and North Dakotans attending in Minnesota, grew by 1,558 between academic years 2002-03 and 2005-06. There were 2,600 more Minnesotans attending in North Dakota than North Dakotans attending in Minnesota in academic year 2005-06. Minnesota's projected interstate tuition reciprocity payment of $1.5 million to North Dakota for academic year 2005-06 works out to a payment of $577 for each of the 2,600 additional Minnesotans attending in North Dakota. Minnesota and North Dakota are in the process of removing professional programs from their interstate tuition reciprocity agreement. If professional programs are removed that will moderate the size of Minnesota's projected interstate payment obligation to North Dakota.

The Governor's recommended increase in the interstate tuition reciprocity appropriation is required to accommodate a projected increase in Minnesota residents attending North Dakota public post-secondary education institutions. Many of the Minnesota students who attend college in North Dakota return to Minnesota to live and work.

Relationship to Base Budget
This is a $1 million annual increase to a base budget of $1 million.

Key Measures
The Office of Higher Education will monitor changes in enrollment patterns and update interstate tuition reciprocity payment projections with new enrollment and cost data.

Statutory Change: None Required

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Program Description

The Office of Higher Education's State Student Loan Services provide administrative support for the Student Educational Loan Fund (SELF) Loan program, the Federal Stafford Loan program and the Graduated Repayment Income Protection (GRIP) program. These loan programs assist undergraduate and graduate students in financing their educational expenses.

The SELF Loan program provides an additional source of long-term, low interest funding to students attending post-secondary education institutions both in and outside Minnesota, the province of Manitoba, and non-residents attending Minnesota institutions. M.S. 136A.1701 authorizes the creation of such supplemental loan programs.

The private sector has created additional private loan programs in recent years. The SELF program provides funding to students at a lower interest rate, and without charging origination and guarantee fees. The program requires a creditworthy co-signer and payment of interest while the borrower is in school. The Office of Higher Education also uses various collection tools to collect on defaulted SELF loans.

Program at a Glance

- SELF Loan program serves approximately 32,600 students and lends $123 million dollars of aid each year.
- Since 1985, the Office of Higher Education has made more than 300,000 SELF loans totaling over $1.2 billion to students from all sectors of higher education. The Office of Higher Education collected over $4.6 million from SELF defaulters in FY 2006.
- 105,000 SELF borrowers continued to be served by the unit until their outstanding loans totaling $595 million with the agency are paid off.
- The Federal Stafford Loan program has 37 borrowers in repayment and the Graduated Repayment Income Protection (GRIP) program has 38 borrowers in repayment.

The activities provided under this program ensure fiscal integrity, efficient, and effective use of resources through the use of continued process improvement methodologies including measurements and analysis. State Student Loan Services staff use technology to provide enhanced services to the public.

Activities

The SELF Loan program serves graduate and undergraduate students. Minnesota residents attending in Minnesota or at one of more than 180 out-of-state institutions that have contracts with the program are eligible to borrow. Also, non-resident students attending eligible Minnesota institutions are eligible to borrow from this program. The SELF lends approximately $123 million to approximately 32,600 students each year.

The federal Stafford Loan program and the Graduated Repayment Income Protection (GRIP) program no longer lend funds. The Office of Higher Education has not made any Stafford Loans since 1988. GRIP participants are graduates of Minnesota schools in dentistry, medicine, pharmacy, veterinary medicine, public health, and chiropractic medicine and Minnesota residents graduating from osteopathy programs. The GRIP loan was discontinued in 1995 for new participants. The only activity is managing the repayments from borrowers. The Federal Stafford Loan program has 37 borrowers in repayment and the Graduated Repayment Income Protection (GRIP) program has 38 borrowers in repayment. GRIP repayment should be completed by 2015. Repayments to the GRIP and Stafford programs are deposited in the Loan Capital Fund.

Populations Served

The SELF loan and Stafford loan programs serve undergraduate and graduate students who are either attending an eligible post-secondary institution in Minnesota or who are Minnesota residents attend an eligible school in another state.

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Key Measures

⇒ The average processing time for a SELF loan is three to five days.
⇒ The cumulative SELF default rate is less than 2%.
⇒ The agency will continue to monitor and oversee the repayment process for these loan programs in a cost effective manner.

Because SELF lends funds for a student's immediate educational costs but allows the student to repay the loan over many years, it reduces the immediate cost of a student's post secondary education. SELF allows students to take more credits and complete their degrees sooner that they otherwise would be able to do so.

Budget

There are no General Fund appropriations for the SELF program. Operating expenses are financed from bonds, loan repayments, and investment income. Some of the bonds issues are taxable and others are tax-exempt. Tax-exempt bonds can be issued for student loans under Section 144(b)(1)(B) of the Internal Revenue Code of 1986, as amended.

The SELF loan program is funded through repayments of existing SELF loans and through $196 million of tax exempt bonds and $291 million of taxable bonds outstanding. These revenues finance additional SELF loans, pay interest on the bonds, pay loan servicing costs, and cover program operating costs. Additional bonds of $100 million were issued for FY 2005-06. The Office of Higher Education is limited to a maximum of $850 million in outstanding bonds.

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OFFICE OF HIGHER EDUCATION

Program: STATE STUDENT LOANS

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Statutory Appropriations					
Office Of Higher Education	141,880	149,093	155,013	161,033	316,046
Total	**141,880**	**149,093**	**155,013**	**161,033**	**316,046**
Expenditures by Category					
Total Compensation	449	535	555	575	1,130
Other Operating Expenses	14,238	13,545	14,445	15,445	29,890
Other Financial Transactions	127,193	135,013	140,013	145,013	285,026
Total	**141,880**	**149,093**	**155,013**	**161,033**	**316,046**
Expenditures by Activity					
Stafford Loan	3	5	5	5	10
State Supplemental Loans	141,864	149,075	154,995	161,015	316,010
Other Loan Programs	13	13	13	13	26
Total	**141,880**	**149,093**	**155,013**	**161,033**	**316,046**
Full-Time Equivalents (FTE)	**7.7**	**8.7**	**8.7**	**8.7**	

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Program Description

The Office of Higher Education's Fiscal Policy and Research services support student and state interests in high quality, well-managed and financially accessible higher education opportunities.

This activity comprises:

- data collection and reporting on higher education;
- analysis of state student financial aid programs and other student financing issues; and
- consumer protection services that require private and out-of-state institutions to meet state registration and licensing standards.

Program at a Glance

Consumer Protection at a Glance

- About 73 private, for-profit career training providers are licensed to operate in Minnesota with 23 authorized to offer degrees.
- Enrollment records of 315,000 students attending 98 institutions were reported in fall 2005.
- Research services made available on the agency web site total over 150 pages of information and links to agency reports.

Activities

Research Services. Research services enable the state to identify trends and conditions in post-secondary education. While individual institutions maintain information on their own activities, data collection and analyses at the agency covers both public and private institutions for a more complete statewide picture.

The agency is constructing an accountability system for higher education in the state. A report will be published annually presenting measures for a number of indicators for five state goals. The five state goals are to:

⇒ Improve success of all students, particularly students from groups under-represented in higher education.
⇒ Create a responsive system that produces graduates at all levels who meet the demands of the economy.
⇒ Increase student learning and improve skill levels of students so they can compete effectively in the global market place.
⇒ Contribute to the development of a state economy that is competitive in the global market through research, workforce training, and other appropriate means.
⇒ Provide access, affordability, and choice for all students.

The Office of Higher Education maintains databases for enrollment, degree and other awards conferred by Minnesota institutions. The agency publishes both standard enrollment reports and special analyses. Staff also uses federal and other sources of information to provide answers to data questions about Minnesota higher education. Most information of general interest is posted on the agency web site, which is becoming the primary way many users first look for data.

The agency's research on student financing includes a biennial survey of undergraduate financial aid from all sources at Minnesota institutions, and reporting on state financial aid programs for budgetary and policy purposes.

Consumer Protection. State statutes require the agency to set minimum standards for private and out-of-state institutions that offer programs in Minnesota.

The Minnesota Private Institution Registration Act (M.S. 136A.61-136A.71) provides quality control and consumer protection for private, nonprofit and out-of-state post-secondary institutions that offer educational programs within the state. For-profit institutions offering only programs at the baccalaureate or graduate level are also regulated under this statute.

Licensing of private for-profit schools (M.S. Chapter 141) provides quality control and consumer protection by setting minimum standards for private, for-profit career training providers offering programs below the baccalaureate level.

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Standards address the quality of faculty, facilities and other program resources; financial stability; advertising and promotion; and protection for students if an institution does not maintain the program as promised or ceases operations. State oversight protects prospective students from schools that collect tuition money fraudulently, "diploma mills" that sell degrees without offering legitimate programs, and schools that lack sufficient expertise or financial resources to develop and maintain adequate post-secondary programs.

The Minnesota Office of Higher Education served as the fiscal agent for an appropriation to support the **Rochester Higher Education Development Committee**. That committee made its recommendation to the legislature in 2006 and funding was appropriated to the University of Minnesota to expand its programs and presence in Rochester.

Population Served

Fiscal Policy and Research serves institutions and policy makers seeking information on financial aid, enrollments and trends for use in policy-making.

Consumer protection serves consumers of higher education and private institutions within the higher education sector.

Key Measures

- ⇒ Regular reports are issued to policy-makers and the public on financial aid programs, college financing, participation and enrollment trends.
- ⇒ Reports required in statute are produced and delivered on time.
- ⇒ Fund balance and projections reports are delivered on schedule.
- ⇒ Public input on the Office of Higher Education's programs and initiatives is gathered regularly.
- ⇒ About 50 private, nonprofit and out-of-state post-secondary institutions are approved to offer degree programs in Minnesota; 27 other post-secondary providers are registered to offer non-degree programs or to have their name approved.
- ⇒ A higher education accountability report will be produced in 2006 and updated periodically.

Budget

Research Services are funded through general agency appropriations. The higher education accountability project is funded through a special biennial appropriation. Licensing fees paid by non-public higher education institutions fund consumer protection services.

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OFFICE OF HIGHER EDUCATION

Program: FISCAL POLICY & RESEARCH

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	1,202	1,381	1,381	1,381	2,762
Subtotal - Forecast Base	1,202	1,381	1,381	1,381	2,762
Governor's Recommendations					
Compensation Adjustment		0	17	27	44
Total	**1,202**	**1,381**	**1,398**	**1,408**	**2,806**
Misc Special Revenue					
Current Appropriation	3,000	0	0	0	0
Subtotal - Forecast Base	3,000	0	0	0	0
Total	**3,000**	**0**	**0**	**0**	**0**
Expenditures by Fund					
Direct Appropriations					
General	1,064	1,518	1,398	1,408	2,806
Misc Special Revenue	0	3,000	0	0	0
Statutory Appropriations					
Misc Special Revenue	524	450	321	257	578
Federal	1,358	1,257	991	986	1,977
Office Of Higher Education	73	91	91	94	185
Total	**3,019**	**6,316**	**2,801**	**2,745**	**5,546**
Expenditures by Category					
Total Compensation	780	1,050	1,013	1,027	2,040
Other Operating Expenses	568	682	460	400	860
Payments To Individuals	0	10	10	0	10
Local Assistance	1,671	4,574	1,318	1,318	2,636
Total	**3,019**	**6,316**	**2,801**	**2,745**	**5,546**
Expenditures by Activity					
Accountability	42	358	300	300	600
Fiscal Policy & Research	852	947	970	989	1,959
Miscellaneous Grant Programs	2,004	1,932	1,531	1,456	2,987
Rochester University	121	3,079	0	0	0
Total	**3,019**	**6,316**	**2,801**	**2,745**	**5,546**
Full-Time Equivalents (FTE)	**10.1**	**11.6**	**11.6**	**11.6**	

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Program Description

The Minnesota Office of Higher Education's Library and Technology Programs provides statewide support functions that assist libraries and post-secondary institutions in providing Minnesotans with efficient access to library materials, distance education, and other learning resources.

Activities

- MINITEX
- MnLINK Implementation/Gateway
- Learning Network of Minnesota

MINITEX. The mission of the MINITEX library system is to enhance the effectiveness and efficiency of libraries by expanding their access to information resources for their users. MINITEX fulfills its objective through several activities including document delivery; a statewide courier delivery system; the Electronic Library for Minnesota; group licenses for scholarly resources for Minnesota academic libraries; a database of serial titles (journals, magazines) held by libraries in the MINITEX region; and a common database of books held by libraries worldwide. MINITEX recently integrated MnLINK and the Minnesota Digital Library into its service program.

Learning Network. The Learning Network of Minnesota provides Internet, data, video, and voice services to support academic programs and administrative services at the state's higher education institutions. Over the past two years, the Learning Network has become fully integrated with the University of Minnesota and the Minnesota State Colleges and Universities' (MnSCU) wide area networks. This collaboration is guided by the policy document *Learning Network Blueprint for Higher Education* http://www.ohe.state.mn.us/pdf/blueprint.pdf.

Program at a Glance

MINITEX at a Glance

- More than 800,000 books, articles, and non-print materials delivered to Minnesota libraries for residents.
- More than 164,000 journals and magazines owned by libraries in the MINITEX region listed in a common source for each location.

Learning Network at a Glance

- The higher education portion of the Learning Network is comprised of six telecommunications regions serving all public higher education institutions.
- MNSCU has over 80,000 students taking online courses, a number, which has doubled in two years.

MnLINK at a Glance

- The MnLINK Gateway allows library patrons to search multiple library catalogs with over 33 million volumes owned by participating libraries, plus it provides access to online electronic resources.
- The MnLINK Gateway is now integrated with the MINITEX Library Information Network and uses the MINITEX Delivery System for delivery and return of materials borrowed among participating libraries.

The Learning Network enhances on-campus learning and provides distance education opportunities. The higher education portion of the Learning Network is comprised of six regional networks, each of which serves its member institutions with a range of educational technologies to enhance the delivery of programs and services between members and with other post-secondary institutions in the state.

Public higher education institutions rely on the Learning Network for academic programs and administrative services. These services include:

⇒ Infrastructure to access Internet2 (a partnership of higher education, industry and government to develop and deploy advanced network applications and technologies). As a full Internet2 member, the University of Minnesota sponsors access by all other higher education institutions and interested K-12 schools.

⇒ Network applications such as e-mail accounts for students, web-based course support, desktop video, administrative support and voice services.

⇒ Connections to private higher education institutions, school districts, libraries, business and industry sites, correctional institutions, courthouses and medical facilities.

⇒ Value-added services such as faculty training, web conferencing, streaming media storage and distribution, and voice over internet protocol support– local and long distance telephone service via the Internet – that has resulted in significant cost savings for many campuses.

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- ⇒ Network cost savings for the state and higher education institutions. The Learning Network aggregates purchases to take advantage of economies of scale.
- ⇒ Support for joint degree programs between University of Minnesota and MnSCU campuses.
- ⇒ Instructional cost savings. Community and technical college campuses, for example, can use video to share faculty and pool students in common sections.
- ⇒ Technology to help institutions meet staffing needs. Colleges are hiring adjunct faculty who teach from their home communities via video.

MnLINK. MnLINK is a statewide virtual library that provides web-based access to Minnesota library catalogs and state-licensed electronic resources. MnLINK widens access to library resources for all Minnesota residents by drawing upon the combined collections of Minnesota libraries.

Through the MnLINK Gateway (www.mnlink.org), Minnesota residents can search catalogs of academic, government, public and school libraries and request materials for distribution through the MINITEX delivery system. The common MnLINK integrated library system now in place in the public academic libraries of the University of Minnesota and MnSCU, along with state government and private college libraries, increases the efficiency of library operations, training, and enhances support for statewide resource sharing.

Populations Served

The agency's library and technology programs serve Minnesota K-12 schools and students, public and private colleges and universities and their students, libraries and their patrons across Minnesota and in North and South Dakota.

Key Measures

- ⇒ Participation of more than 1,600 Minnesota libraries of all types.
- ⇒ More than 10 million uses of licensed electronic resources through the Electronic Library for Minnesota (ELM). The cost for licensing ELM resources in FY 2006 was $0.35 per Minnesota resident.
- ⇒ Patrons placed over 253,000 interlibrary loan requests at point-of-need in FY 2006. Library patrons can access resources from 485 libraries.
- ⇒ MINITEX processed more than 372,453 requests in FY 2006, and filled over 297,000 items.
- ⇒ Minnesota Digital Library had 44,938 visitors viewing 641,466 pages in FY 2006.
- ⇒ Over 1,300 courses and 4,000 credit hours are offered over the Learning Network each year.

Budget

The entire MINITEX appropriation is for contracted services provided by MINITEX at the University of Minnesota. Additional revenue is generated from contracts for collaboration with the Minnesota Department of Education, the North Dakota State Library, and the South Dakota State Library. All these funds are passed directly to MINITEX at the University of Minnesota. In Minnesota, MINITEX collaborates with academic, public, school, and state government libraries in order to share resources.

The Learning Network is funded by a state General Fund appropriation to the Office of Higher Education. The agency disburses the funding to the six regional networks through a grant process.

Implementation of the MnLINK Gateway and the Integrated Library System was funded through a 1997 appropriation of $12 million and is now complete. In the future, the common integrated library systems operated by the University of Minnesota and MnSCU will be funded by participating libraries just as they have paid for their own automation systems in the past. A state annual appropriation pays for the ongoing coordination and operation of the MnLINK Gateway.

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OFFICE OF HIGHER EDUCATION

Program: LIBRARIES AND TECHNOLOGY

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	9,006	9,006	9,006	9,006	18,012
Subtotal - Forecast Base	9,006	9,006	9,006	9,006	18,012
Governor's Recommendations					
Learning Network of Minnesota		0	575	575	1,150
Total	**9,006**	**9,006**	**9,581**	**9,581**	**19,162**
Expenditures by Fund					
Direct Appropriations					
General	8,977	9,035	9,581	9,581	19,162
Statutory Appropriations					
Miscellaneous Agency	218	0	0	0	0
Total	**9,195**	**9,035**	**9,581**	**9,581**	**19,162**
Expenditures by Category					
Other Operating Expenses	161	170	164	164	328
Local Assistance	9,034	8,865	9,417	9,417	18,834
Total	**9,195**	**9,035**	**9,581**	**9,581**	**19,162**
Expenditures by Activity					
Minitex Library System	4,599	4,381	4,381	4,381	8,762
Mn Link Implementation	371	429	400	400	800
Learning Network Of Minn	4,225	4,225	4,800	4,800	9,600
Total	**9,195**	**9,035**	**9,581**	**9,581**	**19,162**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$575	$575	$575	$575
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$575	$575	$575	$575

Recommendation
The Governor recommends that funding for the Learning Network of Minnesota be increased $575,000 each year of the biennium for a total increase of $1.15 million.

Background
The Learning Network is the core telecommunications network infrastructure that supports all aspects of Minnesota's public higher education systems' services and is critical for daily campus and system operations. Private colleges can choose to participate. Services and operations dependent upon the Learning Network include academic programs (on-campus and distance learning as well as research), administrative services, communications and academic support. The network is particularly critical to areas of Greater Minnesota where access is more challenging. The increased funding would help restore reductions that occurred several years ago.

College campuses, system offices, regional learning centers, tribal learning centers, research centers and extension offices are connected to the Learning Network, which gives these institutions access to global networks including the Internet2 and in 2007, National LambdaRail. The Learning Network is also fully integrated with the State of Minnesota's network that is operated by the Office of Enterprise Technology. The collaboration among the Learning Network, the University of Minnesota and the Minnesota State Colleges and Universities is guided by the policy document *Learning Network Blueprint for Higher Education*.

This funding increase will enable the Learning Network to increase access to educational services for Minnesotans, support continued growth in distance education, support increased network reliability that is needed due to increased reliance on networks for learning and research, support the Network's migration from Asynchronous Transfer Mode (ATM) to Multi Protocol Label Switching (MPLS) as mandated by the Office of Enterprise Technology, allow the six member regional consortia to expand their services to learning centers in communities traditionally underserved by higher education, and restore funding for deferred maintenance.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	$86	$86	$86	$86	$86	$86
Supplies	6	6	6	6	6	6
Hardware	52	52	52	52	52	52
Software	12	0	0	0	0	0
Facilities	0	0	0	0	0	0
Services	368	368	368	368	368	368
Training	51	51	51	51	51	51
Grants	0	0	0	0	0	0
TOTAL	**$575**	**$575**	**$575**	**$575**	**$575**	**$575**

Relationship to Base Budget
This change will increase the Learning Network's General Fund base from $8.45 million to $9.6 million for the biennium.

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The appropriation for the Learning Network is distributed in the form of grants to six regional consortia. Every public higher education institution is a member of a regional consortium.

Key Measures

⇒ Over 7,500 courses are offered over the Learning Network each year via online learning and video conferencing.

⇒ The Learning Network supports the state's distance learning initiatives, which continue to expand each year. For example, Minnesota State Colleges and Universities currently have over 80,000 students enrolled in online courses, and that number has doubled in two years.

Statutory Change: Not Applicable

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Program Description

The Minnesota Office of Higher Education administrative services provide overall management, leadership and administrative support for the Office of Higher Education. Areas included are the director's office, financial management and fiscal services, communications and outreach, legislative relations, information management, human resources and auditing.

Services Provided

This activity provides administrative support in the areas of information and technology, financial management, internal office services, communications and human resources to assist all agency managers in the effective implementation and efficient administration of their programs and activities. General responsibilities include:

- provide overall higher education leadership for the state of Minnesota;
- provide overall leadership, direction, and supervision to approximately 70 full-time equivalent staff;
- guide, support, and facilitating the work of the Office of Higher Education; and
- advocate and communicate the agency's services, programs, information and resources to constituents.

Activities

Distinct work units provide key agency administration services:

Director's Office The agency director is a member of the governor's cabinet and advises the governor on higher education policy. The director's office oversees all the programs offered by the agency and presents statewide data collected by the agency. The director also represents the agency in a variety of policy forums with lawmakers, national organizations, and state leaders relating to education.

Financial Services provides services including: accounting, auditing, budgeting, fiscal oversight for agency contracts, financial analysis and reporting, agency administrative policies and procedures, purchasing, travel management, disbursement, receipt of funds and repayment processes for several programs and provision of agency receptionist services.

Human Resources provides all aspects of human resource management such as hiring, retention, termination, compensation, training, affirmative action, Americans with Disabilities Act (ADA) compliance, insurance and workers compensation processing; provision of agency receptionist responsibilities; fiscal note preparation, management of agency biennial budget narrative; creation/oversight of contracting process to ensure compliance with all state contract regulations and requirements; and application of continuous quality improvement to all agency services.

Information and Technology provides services including: analysis, design, programming, and maintenance of computer applications for student financial aid programs and administrative support; database administration; agency web site and intranet; minicomputer system management; agency network infrastructure; technical support and maintenance for personal computers and servers.

Communications, Outreach and Legislative Relations identifies, develops, maintains and distributes information, data and resources to groups most likely to need information about the agency's programs.

Key Measures

⇒ Number of payment transaction lines processed:
  - FY 2005 = 6,457;
  - FY 2006 = 6,800 with 99.9% of payments processed within 30 days.

⇒ In FY 2006, 57 post-secondary institutional audits related to Minnesota financial aid programs were performed, resulting in $119,000 in billable dollars for state funded programs.

⇒ Conducted audit review of financial statements for over 130 post-secondary institutions licensed or registered by the Minnesota Office of Higher Education.

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⇒ Number of Student Educational Loan Fund (SELF) student loan applicants that have successfully completed the interactive student loan counseling program on the agency web site:
- FY 2001 = 2,319
- FY 2002 = 3,812
- FY 2003 = 4,309

⇒ Generated hits to agency web sites in 2006: 2.4 million.

⇒ Number of publications and other resources requested by individuals in FY 2006: 250,000

Population Served

Post-secondary institutions (both in-state and out-of-state), post-secondary students, agency staff and programs, and contracted vendors, media, legislators and the governor's office.

Budget

State appropriations, dedicated revenues, and federal revenues fund the Office of Higher Education. In addition, the Office of Higher Education generates non-dedicated revenue. The non-dedicated revenue is primarily generated through refunds of prior year financial aid payments. All non-dedicated revenue is deposited to the state General Fund.

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OFFICE OF HIGHER EDUCATION

Program: AGENCY ADMINISTRATION

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	1,787	1,263	1,263	1,263	2,526
Subtotal - Forecast Base	1,787	1,263	1,263	1,263	2,526
Governor's Recommendations					
Compensation Adjustment		0	17	41	58
Total	**1,787**	**1,263**	**1,280**	**1,304**	**2,584**
Expenditures by Fund					
Direct Appropriations					
General	1,143	1,777	1,305	1,304	2,609
Statutory Appropriations					
Misc Special Revenue	49	61	77	83	160
Office Of Higher Education	1,021	1,220	1,237	1,257	2,494
Total	**2,213**	**3,058**	**2,619**	**2,644**	**5,263**
Expenditures by Category					
Total Compensation	1,405	1,550	1,579	1,624	3,203
Other Operating Expenses	760	1,460	992	972	1,964
Local Assistance	48	48	48	48	96
Total	**2,213**	**3,058**	**2,619**	**2,644**	**5,263**
Expenditures by Activity					
Agency Management	596	671	687	698	1,385
Agency Administrative Services	1,617	2,387	1,932	1,946	3,878
Total	**2,213**	**3,058**	**2,619**	**2,644**	**5,263**
Full-Time Equivalents (FTE)	**19.0**	**19.9**	**19.9**	**19.9**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	(10)	(10)	0	0
Net Fiscal Impact	($10)	($10)	$0	$0

Recommendation

The Governor recommends that the statutes regulating private and out-of-state public post secondary institutions be amended to re-align the schools into: 1) degree granting institutions to be governed by Private Institution Registration (M.S. 136A.61 to 136A.71); and 2) non-degree granting institutions to be governed by M.S. chapter141. This recommendation will mean that all schools with the same level of program and/or similar programs will be regulated in the same manner. As a result of the change in regulatory structure, fee revenues are anticipated to decline by $10,000 per year in FY 2008 and FY 2009.

Background

The existing statutes now divide the schools primarily based on their tax status, for-profit or not-for-profit, and to a lesser degree based on the level of education (degrees) that an institution grants. This has resulted in schools that grant the same or very similar degrees being regulated under different statutes and rules. Schools that offer degree-granting programs and are currently "licensed" under to M.S. chapter 141 have requested to be allowed to "register" under M.S. 136A.61 to 136A.71 and thus be treated and regulated in the same manner as other degree granting institutions.

The changes will result in all private and out-of-state public degree-granting institutions being regulated under M.S. 136A.61 to 136A.71. All non-degree-granting private, and out of state public institutions and any schools currently using the terms "college", "university", "academy", and "Institute" will be regulated under M.S. chapter 141.

Relationship to Base Budget

The Private Institution Registration program and the Private Career School Licensure program are each supported by their respective fees. The Office of Higher Education (OHE) estimates that total fee revenue will decline by about $10,000 per year. OHE will gather information on actual fee revenues as institutions operate under the revised regulatory statutes.

Key Measures

⇒ OHE will regulate private and out-of-state post secondary institutions in a more orderly fashion. Similar schools will be subject to the same regulatory requirements and expectations.

⇒ OHE will continue the oversight of the institutions, their administrative capabilities, programs, and curriculum; and provide consumer protection and services to consumers.

Alternatives Considered

Two alternatives were considered. The first was to do nothing and allow the current statutes to continue to be used. Based on a review of the current statutes and the desires of a large number of schools for changes this alternative was rejected. The second alternative considered was to create a single statute that would have regulated all private and out-of-state post secondary schools. This alternative was seriously considered, but the vast variety of school types that would have come under this single statute created numerous problems that made it very difficult to write a statute that would be fair and equitable to all schools and at the same time provide the necessary consumer services and protection.

Statutory Changes: M.S. chapter 141 and M.S. 136A.61 to 136A.71.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$39	$80	$80	$80
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$39	$80	$80	$80

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Other Revenues:					
General	7,041	7,075	7,575	7,975	15,550
Total Non-Dedicated Receipts	**7,041**	**7,075**	**7,575**	**7,975**	**15,550**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	217	214	194	194	388
Grants:					
Misc Special Revenue	193	142	90	20	110
Federal	3,978	5,304	4,747	4,742	9,489
Other Revenues:					
Misc Special Revenue	144	66	66	66	132
Federal	10	10	10	10	20
Office Of Higher Education	168,887	145,682	145,682	145,682	291,364
Other Sources:					
Misc Special Revenue	0	5	5	5	10
Federal	12	15	15	15	30
Office Of Higher Education	12,021	17,346	17,346	17,346	34,692
Total Dedicated Receipts	**185,462**	**168,784**	**168,155**	**168,080**	**336,235**
Agency Total Revenue	**192,503**	**175,859**	**175,730**	**176,055**	**351,785**

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Federal Program Name ($ in Thousands)	Related State Program	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
LEAP/SLEAP	State Grant	GI	$581	$1,256	$1,256	$1,256
GEAR UP	Get Ready	SO	$2,039	$2,790	$2,500	$2,500
Eisenhower Grants		GCBO	$919	$987	$986	$986
National Community Service	Post-Secondary Service Learning	GCBO	$439	$270	$5	$0
Paul Douglas Repayments		SO	$22	$25	$25	$25
Agency Total			$4,000	$5,328	$4,772	$4,767

Key to Primary Purpose:
SO = State Operations
GPS = Grants to Political Subdivision
GI = Grants to Individuals
GCBO = Grants to Community Based Organizations

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➲ Designates that this item is a change item

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Agency Purpose

This independent agency was created in 1987 in part as an outcome of the federal Welsch Consent Decree to promote the highest attainable standards for treatment, competence, efficiency, and justice for persons receiving care and treatment for mental illness, developmental disabilities and related conditions, chemical dependency, and emotional disturbance from a Minnesota agency, facility, or program (M.S. 245.95, subd. 2).

The agency's vision is to bring about change that improves the effectiveness and efficiency of the service delivery system, while ensuring that consumers who are least able to care for themselves are protected.

At A Glance

Recent agency actions include:

- Providing service in thousands of death and serious injuries reviews and thousands more client reviews, assistance, and information requests.
- Initiating a suicide education and outreach program as part of the medical review process.
- Developing a list service to provide information on medical alerts and related information.
- Providing training on civil commitment and other topics to professionals statewide, as well as consultation with North and South Dakota regarding inter-state compacts.
- Increasing information and links on the agency web site.

Core Functions

⇒ Review identified serious injuries and deaths of consumers residing in or receiving services from licensed facilities, agencies, or programs.

⇒ Intervene to resolve disputes through education, facilitation, and advocacy tools.

⇒ Assist consumers to obtain the highest attainable quality of care to meet their needs.

⇒ Recommend to elected officials, government agencies, and service providers ways to improve services to consumers.

⇒ Identify systemic issues that affect the adequacy and quality of services delivered to consumers.

⇒ Conduct training seminars and provide information to the citizens on the Civil Commitment Act and other related laws.

⇒ Team/coordinate/cooperate with other Minnesota state agencies on individual and systemic cases.

Operations

Client Services Unit

This agency provides a direct statewide service to adults and children who are receiving treatment or services for mental illness, developmental disability, or chemical dependency. Secondary receivers of service are family members and persons or entities interested in high quality services for persons with mental disabilities. Eight regional offices provide the backbone in delivering these services including:

- neutral fact finding reviews, coupled with facilitation, education and problem resolution;
- assertive representation when required;
- reviewing and reporting on broader issues impacting service delivery and quality;
- civil commitment information and training system wide, and;
- information, education and referrals to callers.

The eight regional offices are located in:

- Anoka
- Brainerd
- Duluth
- Fergus Falls
- St. Paul
- St. Peter (2 offices)
- Willmar

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Medical Review Unit
In addition to the Client Services Unit, this agency has a direct responsibility to review deaths and serious injuries of clients in any Minnesota state licensed facility, agency, or program. This service is delivered by:

- reviewing deaths or serious injuries of persons with mental disabilities who were or are receiving services;
- providing direct feedback to facilities, agencies, or programs on how they can improve service delivery; and
- alerting and educating providers of service (via mass communications) of potential problems or dangers and recommending improvements of service delivery.

Key Measures

The agency's key goal is to ensure the mental health delivery system operates at the highest levels of effectiveness and efficiency. We cannot measure how many civil commitments, lawsuits or injuries were and are prevented as a result of our work and educational outreach, but we will continue the work as a value-added effort to improve the mental health system.

Additionally, the agency's activities generate approximately $300,000 in federal medical assistance that is deposited to the General Fund each fiscal year. The agency list service saves approximately $4,000 per year in printing and mailing expenses. The agency web site's hits, visits, and document view numbers have increased by 50% over the previous two years. The agency provided over 30 training sessions on civil commitment and other agency related services to professionals statewide, promoting efficient use of limited system resources.

Budget

- 100% of agency budget is from the General Fund;
- 89% of the agency's budget is for staffing 17 full-time employees and one part-time employee; and
- 11% of the agency's budget is for other operating expenses.

Contact

Office of the Ombudsman for Mental Health and Developmental Disabilities
121 7th Place East, Suite 420
Saint Paul, Minnesota 55101-2117
Phone: (651) 296-3848
Toll free: (800) 657-3506

Agency web site: http://www.ombudmhdd.state.mn.us

For additional information please contact:
Paul Doyle, Director of Policy and Administration
Phone: (651) 297-7288
E-mail: paul.doyle@state.mn.us.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	1,462	1,462	1,462	1,462	2,924
Recommended	**1,462**	**1,528**	**1,567**	**1,621**	**3,188**
Change		66	105	159	264
% Biennial Change from 2006-07					6.6%
Expenditures by Fund					
Direct Appropriations					
General	1,496	1,544	1,567	1,621	3,188
Total	**1,496**	**1,544**	**1,567**	**1,621**	**3,188**
Expenditures by Category					
Total Compensation	1,276	1,351	1,337	1,364	2,701
Other Operating Expenses	220	193	230	257	487
Total	**1,496**	**1,544**	**1,567**	**1,621**	**3,188**
Expenditures by Program					
Ombudsman For Mh & Mr	1,496	1,544	1,567	1,621	3,188
Total	**1,496**	**1,544**	**1,567**	**1,621**	**3,188**
Full-Time Equivalents (FTE)	**17.2**	**17.2**	**17.2**	**17.2**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**1,462**	**1,462**	**1,462**	**2,924**
Subtotal - Forecast Base	**1,462**	**1,462**	**1,462**	**2,924**
Change Items				
Maintain Current Svcs & FY 07 Deficiency	66	79	106	185
Completion of New Case Tracking Software	0	0	0	0
Compensation Adjustment	0	26	53	79
Total Governor's Recommendations	**1,528**	**1,567**	**1,621**	**3,188**

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Fiscal Impact ($000s)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
General Fund					
Expenditures	$66	$79	$106	$106	$106
Revenues	0	0	0	0	0
Net Fiscal Impact	$66	$79	$106	$106	$106

Recommendation
The Governor recommends a deficiency appropriation for the Ombudsman for Mental Health and Development Disabilities of $66,000 for FY 2007 due to unanticipated operating costs, as well as $79,000 for FY 2008 and $106,000 in FY 2009 and beyond to maintain the agency's current level of services.

Background
The ombudsman's office has experienced increases in costs for non-compensation related costs, including things like rent, utilities, and supplies. Until now, these increases have been absorbed.

The shortfall in FY 2007 is due to two factors, unanticipated retirement costs and an increase in rent expenses. Until recently, the Ombudsman for Mental Health and Developmental Disabilities shared office space with another ombudsman. When the decision to relocate the other ombudsman was made, it meant the additional rent expense would also have to be absorbed. Rent costs increased 38% since assuming the additional rent expense. The agency also had two long-serving employees retire, creating a liability that cannot be accommodated with current resources

The nature of the ombudsman's workload has also changed, creating new cost pressures. The downsizing of regional treatment centers has resulted in additional travel time, cost, and effort by staff as clients are placed in smaller, more widely-dispersed facilities. No additional funding has been added to supplement these cost increases.

Finally, the agency is heavily dependent on staff to complete its statutory mandate. Their expenses are largely fixed costs limiting the ability to achieve savings, other than reducing staff. Reducing staff results in fewer and less thorough reviews and assistance for clients, and diminished civil commitment training. These services likely save the state in the long run, reducing the number of lawsuits and minimizing the use of civil commitment. Quantifying the amount saved is not possible, but if their services were reduced, it is likely litigation and civil commitment costs would increase.

Relationship to Base Budget
The agency's base budget for FY 2008 and FY 2009 is $2.924 million – the request represents an increase of approximately 6.3%. Within the agency's base level of funding, two fixed costs consume 97% of the budget: 91% is attributable to compensation and 6% for rent.

Key Measures
⇒ Reports of serious injury reviews continue to increase, on average, of 100 per year.

Statutory Change: Not Applicable

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Change Item: Completion of New Case Tracking Software

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation

The Governor recommends funding the completion of a new case tracking software as part of the Small Agency Technology initiative carried by the Office of Enterprise Technology (OET). To receive a portion of the funds appropriated to OET for small agency projects, the Ombudsman for Mental Health and Developmental Disabilities will work with OET to design an effective work plan and then execute an interagency agreement to transfer the funds

Background

Through the Small Agency Technology initiative, agencies receive funding and technical assistance for projects that help maintain current systems, develop new technology to streamline business processes, and expand electronic provision of government services.

The ombudsman's current case management system is outdated and based on software that is no longer supported. Its design does not meet the agency's need for reporting and documentation. Also, the system contains data on some of Minnesota's most vulnerable citizens, and losing that data impairs the ability to assist these individuals. Also included in this request is a new server equipment to replace their current server, which is at the end of its serviceable life.

This proposal would finish the development of this system that began several years ago. The project is over 50% complete but is stalled because of the unanticipated complexity involved in designing the system, and the systems cost exceeding the original amount budgeted. Resources have already been invested in the project, and this proposal provides the balance needed to complete it.

Also, this new system will assist the agency in maximizing federal reimbursement. Providing reports to the Department of Human Services (DHS) on services provided to our clientele enables Minnesota to collect over $300,000 in Federal Financial Participation (FFP) each year. This new system will auto report the necessary information to DHS, thereby maximizing the capture of FFP dollars, and reduces the amount of staff time needed to assemble the data to complete the federal process.

Relationship to Base Budget

This is a one-time expense and will not be added to the agency's base budget.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$26	$53	$53	$53
Revenues	0	0	0	0
Net Fiscal Impact	$26	$53	$53	$53

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fundepersonnel costs.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Agency Purpose

The Office of Ombudsperson for Families is authorized by M.S. 257.0755 and was created in 1991 to investigate decisions, acts, and other matters of agencies, programs, or facilities providing protection or placement services to children of color. Statue requires the agency to operate independently, but to collaborate with the Indian Affairs Council, the Chicano-Latino Affairs Council, the Council on Black Minnesotans, and the Council on Asian-Pacific Minnesotans. The applicable community specific board (hereinafter, board) selects the ombudsperson for each community. Each ombudsperson serves in unclassified service at the pleasure of the board. Each board consists of five members appointed by the chair of that specific community council. The board members are required to meet four times a year to advise the ombudspersons on overall policies.

Core Functions

The agency's primary duty is to ensure that all laws governing the protection of children and their families are implemented in a culturally appropriate manner, and that decision-making processes are in compliance with the laws that protect children of color in the state of Minnesota. Each ombudsperson has the authority to investigate individual occurrences and issue reports to highlight where problems exist.

Additional duties of the agency include working with local and state courts, policy makers, and service providers to promote integrated systems to ensure family reunification, stability, security, and permanency. This agency reaffirms the state's commitment of making and keeping the family whole and enhancing the well being of Minnesota's children. Finally, the agency helps develop policy to support and create culturally competent and bilingual social workers in communities of color throughout Minnesota.

Key Measures

Out of home placements in relative adoptive and relative foster homes in Minnesota:

At A Glance

The chart below shows the disparity in Minnesota of children of color in out of home placements compared to white children.

This disparity is carried over into: the decisions of whose children are placed out of home; the accessibility of services; the quality of services; the urgency in service delivery; the cultural and linguistic considerations, particularly for immigrant and refugee groups; permanency considerations; the monitoring and evaluating case plans and family outcomes; and the lack of culturally competent child welfare workers, to name but a few.

	Total Number of Children in Minnesota	Number and % in Out of Home Placement***	
Black/African American*	64,308	2,945	4.58%
American Indian/Alaska Native*	20,607	1,696	8.23%
Asian/Pacific Islander*	53,831	307	0.57%
Hispanic**	55,640	1,153	2.07%
White	1,079,278	8,291	0.77%
Race Unknown	24,453	445	0.19%

* This includes children with their race indicated as the only race according to the 2000 census.

** This number includes children of all races who had the ethnicity "Hispanic/Latino/Spanish."

*** Data represents unique count of children in care in 2005 from the Minnesota Department of Human Services report on the distribution of race of children in out-of-home care.

	2000		2003		2005	
	# of Children	% of Children	# of Children	% of Children	# of Children	% of Children
Relative Pre-Adoptive Home	291	1.3	229	1.8	434	2.3
Relative Foster Home	2676	11.6	3097	16.0	3436	17.9

Source: Minn Department of Human Services, Relative Placement Settings for Children in Out of Home Care 2000-2005

Through the agency's actions; recommendations; and work with state and county officials, the courts, policymakers and service providers; Minnesota has increased the number of children placed with family members – in relative adoptive and relative foster homes. Best practice standards tell us that the best way to ensure safety and permanency in placement is to try to keep children within their families.

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Specific information for children of color is still being developed, but the improvement in relative placement has surely a positive impact for the populations the agency serves. While the agency's focus is on children of color, our efforts have helped make significant, positive outcomes for all Minnesota children in foster care.

Budget

⇒ 73% of agency budget is from the General Fund, 27% is from a transfer from the Department of Human Services. These funds are generated by activities performed that qualify for federal financial participation, as specified by M.S. 257.0769.

⇒ 75% of the agency's budget is for staffing; a total of 5.0 FTE's including the four ombudspersons and one full-time clerical staff person.

⇒ 25% of the agency's budget is for operating expenses.

Contact

Ombudsperson for Families
1450 Energy Park Drive, Suite 106
Saint Paul, Minnesota 55108

Contacts are:
Ann Hill, Ombudsperson for African-American Families at (651) 642-0897
Dawn Blanchard, Ombudsperson for American Indian Families (651) 643-2523
Bauz Nengchu, Ombudsperson for Asian-Pacific Families (651) 643-2514
Muriel Gubasta, Ombudsperson for Spanish-Speaking Families (651) 643-2537

Toll free: (888) 234-4939
Fax: (651) 643-2539

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	245	245	245	245	490
Recommended	**245**	**245**	**251**	**257**	**508**
Change		0	6	12	18
% Biennial Change from 2006-07					3.7%
Expenditures by Fund					
Direct Appropriations					
General	247	304	251	257	508
Statutory Appropriations					
Misc Special Revenue	97	111	184	200	384
Total	**344**	**415**	**435**	**457**	**892**
Expenditures by Category					
Total Compensation	278	318	340	362	702
Other Operating Expenses	66	97	95	95	190
Total	**344**	**415**	**435**	**457**	**892**
Expenditures by Program					
Ombudsperson For Families	344	415	435	457	892
Total	**344**	**415**	**435**	**457**	**892**
Full-Time Equivalents (FTE)	**4.5**	**5.0**	**5.0**	**5.0**	

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OMBUDSPERSON FOR FAMILIES

Change Summary

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**245**	**245**	**245**	**490**
Subtotal - Forecast Base	**245**	**245**	**245**	**490**
Change Items				
Compensation Adjustment	0	6	12	18
Total Governor's Recommendations	**245**	**251**	**257**	**508**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**111**	**184**	**200**	**384**
Total Governor's Recommendations	**111**	**184**	**200**	**384**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$6	$12	$12	$12
Revenues	0	0	0	0
Net Fiscal Impact	$6	$12	$12	$12

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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➲ Designates that this is a change item

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Agency Purpose

Minnesota Statutes sections 148.52-148.62 and Minnesota Rules, Ch. 6500, authorize the Minnesota Board of Optometry to act as the licensure agency for the practice of optometry. It was established and currently exists to protect the public through the regulation of optometrists in the state of Minnesota. Regulation is accomplished through initial licensure examination, annual license renewal and required continuing education requirements.

The mission of the board is:

- to promote the public's interest in receiving quality optometric health care from competent optometrists;
- to protect the public by ensuring that all licensed optometrists meet the educational and practical requirements specified in law; and
- to protect the public by setting standards for quality optometric health care.

At A Glance

Biennial Budget – FY 2006-07:

Total Estimated Expenses: $232,000

Total Estimated Revenue: $211,000

Staff: 1.00 Full-time equivalent employees

Minnesota Licensed Optometrist Statistics
(As of June 30, 2006)

Total Licensed: 956

Core Functions

The board fulfills its mission by:

- reviewing and approving examination standards to insure knowledge of applicants for licensure as optometrists;
- reviewing of continuing education required to maintain knowledge for the safe practice of optometry;
- managing complaints alleging violation of board statutes and rules through initial committee review, thorough investigation and disciplinary conferences with licensees to determine whether legal action against an optometrist is warranted; and
- providing accurate information about licensure requirements, standards of practice and disciplinary process to the public, licensees, and other interested parties.

Operations

⇒ The board consists of seven members appointed by the governor to four-year terms. The board's functions are performed by three standing committees: legislative, continuing education, and disciplinary. Board members also serve as representatives to the Council of Health Boards and the Health Professional Services Program.

⇒ The board has one full-time equivalent position: a half-time executive director and a half-time clerical assistant.

⇒ The board serves consumers, licensed optometrists, applicants for optometry licensure, other governmental agencies, third party payers, and sponsors of continuing education courses.

Key Measures

⇒ The board approved 24 new licenses in FY 2006.

⇒ In FY 2006, the board received 12 complaints and closed nine cases.

⇒ Online renewal services will be initiated in 2006.

Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be $232,000, which includes 1.0 full-time equivalent employees. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

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The board is estimated to collect $211,000 in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Minnesota Board of Optometry
2829 University Avenue Southeast, Suite 550
Minneapolis, Minnesota 55414

The web site at: http://www.optometryboard.state.mn.us/ gives visitors easy access to useful information.

E-mail: optometry.board@state.mn.us

Laurie Mickelson, Executive Director
E-mail: laurie.mickelson@state.mn.us

Phone: (651) 201-2762
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TDD: (612) 297-5353 or 1 (800) 627-3529

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	96	96	96	96	192
Recommended	**96**	**96**	**98**	**114**	**212**
Change		0	2	18	20
% Biennial Change from 2006-07					10.4%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	91	101	98	114	212
Open Appropriations					
State Government Spec Revenue	5	2	4	4	8
Total	**96**	**103**	**102**	**118**	**220**
Expenditures by Category					
Total Compensation	67	69	70	88	158
Other Operating Expenses	29	34	32	30	62
Total	**96**	**103**	**102**	**118**	**220**
Expenditures by Program					
Optometry, Board Of	96	103	102	118	220
Total	**96**	**103**	**102**	**118**	**220**
Full-Time Equivalents (FTE)	**1.0**	**1.0**	**1.0**	**1.0**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**96**	**96**	**96**	**192**
Subtotal - Forecast Base	**96**	**96**	**96**	**192**
Change Items				
Retirement Payout	0	0	13	13
Compensation Adjustment	0	2	5	7
Total Governor's Recommendations	**96**	**98**	**114**	**212**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**2**	**4**	**4**	**8**
Total Governor's Recommendations	**2**	**4**	**4**	**8**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	0	13	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$13	$0	$0

Recommendation
The Governor recommends a one-time increase to the Board of Optometry's annual appropriation by $13,000 in FY 2009 to cover the cost of an employee retirement payout.

Background
The board is staffed with one full-time equivalent employee and receives an annual appropriation of $96,000. In FY 2009, a long-time employee of the state is planning to retire and has amassed substantial vacation and sick leave time, which the board is obligated to pay. Due to the small size of the budget, the board does not have the ability to pay this one-time obligation from its existing spending authority. The one-time payout accounts for 13.5% of the board's annual appropriation.

Relationship to Base Budget
The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be $249,000. The board is estimated to collect $222,000 in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	2	5	5	5
Revenues	0	0	0	0
Net Fiscal Impact	$2	$5	$5	$5

Recommendation
The Governor recommends additional funding of $2,000 in FY 2008 and $5,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs and 3.25% for other funds.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
State Government Spec Revenue	110	109	109	113	222
Total Non-Dedicated Receipts	**110**	**109**	**109**	**113**	**222**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**110**	**109**	**109**	**113**	**222**

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Agency Purpose

The mission of the Board of Peace Officer Standards and Training (POST) is to develop, maintain, and enforce selection, education, and licensing standards. Established in 1978 by M.S. 626.84, the purpose of the POST Board is to regulate and enhance the profession of law enforcement throughout the state of Minnesota.

At A Glance

The Minnesota Board of Peace Officer Standards and Training licenses more than 10,200 peace officers and part-time peace officers. It also certifies 21 two and four-year post-secondary institutions throughout the state that deliver professional peace officer education programs.

Compared to the nation, Minnesota's licensing system is unique, as it requires all peace officers to obtain a post-secondary degree. Also, there is no state-level police training academy as in most other states.

Since 1978, the Minnesota POST Board's standards have been recognized as a model for many other states that have subsequently adopted similar systems.

Core Functions

The POST Board's mission is implemented through the following core functions:

- administer license examinations;
- license peace officers and part-time peace officers;
- renew and restore peace officer and part-time peace officer licenses;
- manage a training reimbursement fund to law enforcement agencies;
- monitor compliance with standards of conduct;
- establish and maintain pre-service education curriculum;
- examine compliance of continuing education requirements; and
- perform other services as mandated by the legislature.

Operations

The POST Board meets four times yearly to review and set policies regarding minimum selection, education, and licensing standards within the parameters established by legislation. The POST Board licenses over 10,200 peace officers and part-time peace officers. Since the majority of these are employees of police departments and sheriff's offices, the POST Board also works closely with local units of government. As a regulatory agency, the POST Board's licensing system ensures that law enforcement officers are well-trained and meet a high level of professional conduct.

Key Measures

⇒ Renew peace officers, part-time peace officers, and inactive officer licenses.
⇒ Compliance reviews for law enforcement agencies.
⇒ Recertify Professional Peace Officer Education programs.
⇒ Monitor continuing education providers.
⇒ Investigate complaints.

Budget

The POST Board is funded through a special revenue account from a surcharge on certain criminal and traffic offenses. Although the law directs the state treasurer to credit 39% of the proceeds of the first $25 of that surcharge to the Peace Officer Training Account, POST's budget cannot exceed the legislated base appropriation. The FY 2007 budget from this source is $4,214,000 and the agency resources are allocated as follows:

♦ Reimbursements to local governments:	$3,109,000	73.8 %
♦ General operating costs:	$1,105,000	26.2 %

The POST Board has 12 full-time employees.

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Contact

For more information, contact the POST Board at (651) 643-3060.

The POST Board web site at www.post.state.mn.us gives visitors convenient access to useful information about Minnesota's peace officer licensing system, news, updates, application forms, directories to board and staff, and links to other related information.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Misc Special Revenue					
Current Appropriation	4,154	4,214	4,214	4,214	8,428
Recommended	**4,154**	**4,214**	**4,237**	**4,260**	**8,497**
Change		0	23	46	69
% Biennial Change from 2006-07					1.5%
Expenditures by Fund					
Direct Appropriations					
Misc Special Revenue	3,981	4,387	4,237	4,260	8,497
Statutory Appropriations					
Misc Special Revenue	185	225	250	250	500
Total	**4,166**	**4,612**	**4,487**	**4,510**	**8,997**
Expenditures by Category					
Total Compensation	856	891	909	927	1,836
Other Operating Expenses	216	360	219	224	443
Local Assistance	3,094	3,361	3,359	3,359	6,718
Total	**4,166**	**4,612**	**4,487**	**4,510**	**8,997**
Expenditures by Program					
Peace Officers Standards&Train	4,166	4,612	4,487	4,510	8,997
Total	**4,166**	**4,612**	**4,487**	**4,510**	**8,997**
Full-Time Equivalents (FTE)	**12.2**	**12.2**	**12.2**	**12.2**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: MISC SPECIAL REVENUE				
FY 2007 Appropriations	**4,214**	**4,214**	**4,214**	**8,428**
Subtotal - Forecast Base	**4,214**	**4,214**	**4,214**	**8,428**
Change Items				
Operating Cost Increases	0	5	10	15
Compensation Adjustment	0	18	36	54
Total Governor's Recommendations	**4,214**	**4,237**	**4,260**	**8,497**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**225**	**250**	**250**	**500**
Total Governor's Recommendations	**225**	**250**	**250**	**500**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues (transfers in)	($5)	($10)	($10)	($10)
Other Fund				
Expenditures	$5	$10	$10	$10
Revenues (transfers from)	($5)	($10)	($10)	($10)
Net Fiscal Impact	$5	$10	$10	$10

Recommendation
The Governor recommends $15,000 from the special revenue fund to pay for operating cost increases to the agency.

Background
The agency continues to experience cost increases for operational expenses such as communications, supplies, and equipment, which are necessary for it to maintain licensing and other services relating to standards for and training of peace officers. Small agencies have less flexibility than other larger agencies in managing these costs while continuing to meet the needs of their clients and the public. This recommendation will help to ensure that the agency can continue to provide those services.

Relationship to Base Budget
This recommendation will increase non-compensation operating funding by approximately 2.5% per year. It will also reduce transfers to the general fund by the amount of the funding increase due to the current law requirement that the excess of the receipts received in the account each year over the appropriation amount be transferred to the general fund.

Key Measures
The agency will be able to continue its licensing of peace officers and related functions ensuring that Minnesotans have qualified law enforcement personnel.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues (transfers to)	($18)	($36)	($36)	($36)
Other Fund				
Expenditures	$18	$36	$36	$36
Revenues (transfers from)	($18)	($36)	($36)	($36)
Net Fiscal Impact	$18	$36	$36	$36

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for personnel costs.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

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Relationship to Base Budget
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Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	536	520	453	536	989
Total Non-Dedicated Receipts	**536**	**520**	**453**	**536**	**989**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**536**	**520**	**453**	**536**	**989**

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➲ Designates that this item is a change item

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Agency Purpose

Reflecting Minnesota's dedication to excellence in education, the **Perpich Center for Arts Education** (PCAE) is an agency of the state of Minnesota. Created by statute in 1985, Perpich's mission is to improve K-12 education for all Minnesota students and educators through innovative programs and partnerships centered in the arts. A 30-acre campus in Golden Valley houses the Center's Professional Development and Research (PDR), Arts High School (AHS), and the PCAE Library. PCAE serves as the principal resource for arts education in Minnesota, and is nationally recognized for its innovative and rigorous programs.

At A Glance

- More than 15,000 teachers, artists, students, college faculty, and parents from 750 Minnesota towns have participated in PCAE professional development programs.
- Over 2,200 students from 380 Minnesota towns have graduated from the Arts High School.
- During the past three years, Arts High graduates have attended over 70 colleges in 25 states and Canada.
- 2,100 Minnesota teachers and artists currently enjoy access to materials and receive reference assistance as members of the library.

Core Functions

The **Professional Development and Research Group** (PDR) is a network of educators, arts teachers, teaching artists, and administrators in schools and arts organizations throughout Minnesota who are focused on the improvement of education in and through the arts. PDR fosters a model for accountability in education by providing professional development opportunities to help teachers develop improved curricula, implement standards for graduation, and assess student achievement. PDR team members have expertise in all arts areas as well as interdisciplinary arts education.

PDR at Perpich:

⇒ Facilitates innovation in curriculum development, classroom instruction, and learning assessment by providing workshops and other opportunities for professional growth to educators ("training the trainers").

⇒ Fosters and maintains partnerships with key institutions from the arts and educational communities statewide.

⇒ Promotes school effectiveness by disseminating research and best practices for teachers and practitioners.

⇒ Provides professional and technical support in the arts areas of Dance, Literary Arts, Media Arts, Music, Theater, and Visual Arts for preschool, elementary, middle, and secondary schools.

⇒ Increases students' accessibility to arts education by providing critical financial assistance for schools statewide.

⇒ Leverages state dollars. Approximately $45,000 in annual state funding attracted $650,000 in private and federal funds for the unique Perpich regional Quality Teaching Networks (QTNs). PDR also received funding from the U.S. Department of Education ($1 million over a three-year period) to extend QTNs to teachers from high poverty schools across Minnesota.

⇒ Designs programs that impact over 30,000 students annually.

⇒ Maintains ongoing contact with 297 school districts (87.4% of the statewide total).

The Arts High School (AHS) is a tuition-free, public high school that delivers a comprehensive education centered in the arts. The school is open to all 11th and 12th grade students who are Minnesota residents; a residential option is offered for students enrolled from outside the Twin Cities. With enrollment limited to 310 students, AHS offers the benefit of learning in a small community while allowing students to take advantage of the significant arts resources in the Twin Cities.

At Perpich, the AHS partners with PDR to incubate student-centered and arts-focused curricular models for all Minnesota students. It is the school of choice for students from across the state to develop skills and work processes associated with high-level attainment in the arts. While AHS provides serious pre-professional training for emerging artists, it also gives students the tools to pursue excellence in many disciplines and walks-of-life throughout their higher education and professional careers. The school embodies a unique approach to learning focused on each student's personal goals, skills, learning styles, and aspirations. The curriculum is based on clearly defined, high standards of achievement that meet or exceed state and national academic standards for graduation.

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AHS offers instruction in six arts areas: Dance, Literary Arts, Media Arts, Music, Theater, and Visual Arts. Students also study English, Math, Science, Social Studies, and World Languages. AHS integrates arts and academics to provide learning experiences that stay with students throughout their lives. Our liberal arts program prepares students to succeed in a range of public and private colleges and universities in Minnesota and throughout the nation.

Arts High School students excel both artistically and academically. In 2006, over 25 students—in just the media and visual arts areas alone—received state and national awards and commendations. In 2005, a Literary Arts student placed sixth out of 1,000 entrants in the prestigious *Siemens Westinghouse Competition in Math, Science and Technology*. In 2004, a Visual Arts student was one of only two Minnesota students to be named a Presidential Scholar in the Arts.

AHS graduates attain admission to top national and regional colleges, universities, and professional arts programs. Successful alumni include those in the art, design, literary, music performance and production, photography, film, and television fields, as well as many others engaged in careers associated with the "creative economy," such as communication, informatics, and technology.

The PCAE Library supports the work of PDR and AHS by maintaining a collection specializing in arts instruction materials for educators. It includes over 13,000 titles, including books, videos, DVDs, audiotapes, CDs, and periodicals. The library offers print and non-print interdisciplinary and multicultural resources. Many K-12 and post-secondary teachers, as well as artists and arts organizations from every part of the state check out materials for use in schools, program development, and research. The library also lends materials to other academic and state agency libraries through a statewide inter-library loan network. Any Minnesota resident 18 years of age or older may apply to borrow materials from the PCAE library collection free-of-charge. Reference assistance is provided by library staff, and materials are searchable and available to borrow on the website.

Operations

The Perpich Center's operations are organized around its three core functions: the Professional Development and Research Group (PDR), the Arts High School (AHS), and the Library. The administrative structure includes a Deputy Director, PDR Director and AHS Director reporting to the Executive Director. Approximately one-half of the Center's resources support PDR and statewide outreach, with the other half funding the operations of AHS. Perpich's 30-acre campus in Golden Valley includes a residential dormitory for out-state students, and buildings dedicated to outreach operations and the Arts High School.

Key Measures

Improve education for K-12 students in Minnesota through engagement in and through the arts and increase educator participation in arts-based professional development activities.

⇒ In 2006, QTN facilitated by PCAE impacted over 27,250 students, teachers, community members, artists, and parents.

⇒ The Perpich Center for Arts Education has active connections and contacts in 297 school districts, (87.4% of the statewide total).

⇒ Since 1985, 231 (67.9%) of Minnesota's 340 of school districts have participated in the Comprehensive Arts Planning Program (CAPP) sponsored by PCAE, the Minnesota State Arts Board, and the Minnesota Alliance for Arts in Education.

Help Minnesota schools meet academic accountability standards in arts disciplines.

⇒ Developed, published, and disseminated ***Engaging Students in the Arts*** to assist K-12 educators in meeting the Minnesota Academic Standards in the arts.

Provide a rigorous, arts-centered high school education that prepares students for the future.

⇒ In 2006, the AHS had a 100% graduation rate.

⇒ In 2006, 87% of the AHS students pursued post-secondary education immediately following graduation.

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⇒ In 2006, the 100 AHS students who took the ACT exam achieved a composite score of 24.0. Minnesota's statewide composite score was 22.3, which placed it first in the nation among the 25 states in which more than half the college-bound students took the test.

⇒ As measured by the ACT exam, AHS students exceeded the statewide average in college readiness in 2006:

College Readiness as Measured by ACT Exam

Subject Area	College Readiness Cut Score	Percentage of AHS Students Achieving College Readiness	Percentage of Minnesota Students Achieving College Readiness
English	18	93%	76%
Algebra	22	52%	52%
Social Science	21	77%	62%
Biology	24	42%	37%
Proficient in All Four Subject Areas		32%	28%

Provide access to materials that support arts-based instruction.

⇒ In 2006, 21% of the PCAE library collection is unique among libraries statewide.

Budget and Staff

FY 2006-07 agency activities are funded primarily through General Fund appropriations, 88.4% of total funding. Additional funding comes from departmental earnings and other revenue, 9.5% (includes student fees, interest earnings, intergovernmental agreements, etc.); federal grants, 0.6%; and miscellaneous revenues and gifts, 1.5%. In the school year beginning September of 2006, the Center has approximately 70 full-time employees.

Contact

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Perpich Center for Arts Education
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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	6,623	6,623	6,623	6,623	13,246
Recommended	**6,623**	**6,623**	**6,808**	**6,955**	**13,763**
Change		0	185	332	517
% Biennial Change from 2006-07					3.9%
Expenditures by Fund					
Direct Appropriations					
General	6,217	7,078	6,695	7,068	13,763
Statutory Appropriations					
Misc Special Revenue	896	1,487	916	887	1,803
Federal	0	374	449	349	798
Miscellaneous Agency	19	30	30	30	60
Gift	47	42	0	0	0
Total	**7,179**	**9,011**	**8,090**	**8,334**	**16,424**
Expenditures by Category					
Total Compensation	4,908	5,451	5,385	5,632	11,017
Other Operating Expenses	1,971	3,245	2,396	2,393	4,789
Capital Outlay & Real Property	7	9	6	6	12
Payments To Individuals	14	25	19	19	38
Local Assistance	260	251	254	254	508
Other Financial Transactions	19	30	30	30	60
Total	**7,179**	**9,011**	**8,090**	**8,334**	**16,424**
Expenditures by Program					
Center For Arts Educ	7,179	9,011	8,090	8,334	16,424
Total	**7,179**	**9,011**	**8,090**	**8,334**	**16,424**
Full-Time Equivalents (FTE)	**73.7**	**73.7**	**72.8**	**72.8**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**6,623**	**6,623**	**6,623**	**13,246**
Subtotal - Forecast Base	**6,623**	**6,623**	**6,623**	**13,246**
Change Items				
High School to College Transition	0	81	122	203
Compensation Adjustment	0	104	210	314
Total Governor's Recommendations	**6,623**	**6,808**	**6,955**	**13,763**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**1,487**	**916**	**887**	**1,803**
Total Governor's Recommendations	**1,487**	**916**	**887**	**1,803**
Fund: FEDERAL				
Planned Statutory Spending	**374**	**449**	**349**	**798**
Total Governor's Recommendations	**374**	**449**	**349**	**798**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**30**	**30**	**30**	**60**
Total Governor's Recommendations	**30**	**30**	**30**	**60**
Fund: GIFT				
Planned Statutory Spending	**42**	**0**	**0**	**0**
Total Governor's Recommendations	**42**	**0**	**0**	**0**

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Change Item: High School to College Transition

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$81	$122	$122	$122
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$81	$122	$122	$122

Recommendation

The Governor recommends $81,000 in FY 2008 and $122,000 in FY 2009 to implement a high school to college transition initiative at the Perpich Center's Arts High School (AHS). This effort is intended to transform the high school experience by: 1) ensuring that all AHS students graduate high school with college credits; and 2) creating an integrated six-year Diploma/B.A. degree program allowing students to earn a double major in education and an applied discipline.

Background

Since its inception, the Perpich Center for Arts Education (PCAE) has committed itself to developing, testing and sharing innovative educational models. AHS students have benefited from this commitment as evidenced by strong ACT scores and high college attendance rates. However, preparing students for the 21st Century's creative economy requires a renewed emphasis on academic rigor and a closer partnership between high schools and colleges.

PCAE will develop two programs to make the high school to college transition more seamless. First, in partnership with the University of Minnesota or MnSCU, the center will develop and provide college level academic and arts courses to all students. All AHS students will graduate with both a high school diploma as well as college credit under this proposal.

Second, PCAE will collaborate with the University of Minnesota or MnSCU to offer an integrated six-year Diploma/B.A. degree allowing AHS students to earn a double major in education and an applied discipline. Students who pursue this option will begin their college career at AHS and complete it at the partner institution. Although designed as a six-year program, it is possible that students could complete the Diploma/B.A. degree in a shorter amount of time depending on the number of college credits they choose to take at AHS. The intent of the program is to make the transition from high school to college more like the transition from middle school to high school.

Relationship to Base Budget

This initiative will increase funding to the Perpich Center for Arts Education by $203,000, or 1.5%, over its FY 2008-09 forecast base.

Key Measures

The key measures of success for this initiative include:

- All Arts High School students will earn college credits in academic and arts subject areas during the course of their high school program by FY 2009.
- At least 10 students will be enrolled in the six-year Diploma/B.A. degree program by FY 2009.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$104	$210	$210	$210
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$104	$210	$210	$210

Recommendation
The Governor recommends additional funding of $104,000 in FY 2008 and $210,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for personnel costs paid from the General Fund.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services (DHS) and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections (DOC) and the State Patrol Division in the Department of Public Safety (DPS), the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	80	85	85	85	170
Grants:					
Misc Special Revenue	71	75	75	75	150
Federal	103	374	449	349	798
Other Revenues:					
Misc Special Revenue	520	810	641	628	1,269
Miscellaneous Agency	19	30	30	30	60
Gift	47	0	0	0	0
Other Sources:					
Misc Special Revenue	11	15	13	13	26
Total Dedicated Receipts	**851**	**1,389**	**1,293**	**1,180**	**2,473**
Agency Total Revenue	**851**	**1,389**	**1,293**	**1,180**	**2,473**

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➲ Designates that this item is a change item

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Agency Purpose

Minnesota Statutes Ch. 151 and 152, authorize the Minnesota Board of Pharmacy to act as the licensure agency for pharmacists and establishments involved in the legitimate distribution of prescription drugs in Minnesota.

The mission of the board is:

- to promote, preserve, and protect the public health, safety, and welfare by fostering the provision of quality pharmaceutical care to the citizens of Minnesota through the examination and licensure of pharmacists; the regulation of the practice of pharmacy; and the inspection of licensed pharmacies, wholesalers, and manufacturers; and
- to have all prescription drugs provided to the public in a safe and effective manner by qualified licensees.

At A Glance

Biennial Budget – FY 2006-07:

Total Estimated Expenses: $2.991 million

Total Estimated Revenues: $2.803 million

Staff: 9 Full-time equivalent employees

Minnesota Board of Pharmacy Statistics
(As of June 30, 2006)

Total Licensed: 19,008

Core Functions

⇒ Setting educational and examination standards for initial and continuing licensure.

⇒ Conducting unannounced inspections of all pharmacies, drug wholesale houses, drug manufacturers, medical gas distributors, and controlled substance researchers in Minnesota.

⇒ Responding to public and agency inquiries, complaints, and reports regarding licensure and conduct of applicants, registrants, and licensees.

⇒ Setting standards of practice and conduct for licensees and pursuing educational or disciplinary action with licensees to ensure those standards are met.

⇒ Providing information and education about licensure requirements, standards of practice and Minnesota drug law to the public and to other interested audiences.

Operations

⇒ The Board of Pharmacy has seven members, five pharmacists and two public members, all of whom are appointed by the governor to four year terms.

⇒ The board's operations affect both the public and the board's licensees. The public is affected through the board's response to inquiries and complaints, and through the assurance of reasonable competence on the part of pharmacy practitioners. The public also benefits from the inspections carried out by board surveyors. The inspections identify licensees that are not following the best standards of practice and encourage adherence to those standards. The board's licensees are affected through the provision of information and education about standards of practice and licensure requirements and through the board's inspection visits to each facility involved in legitimate drug distribution.

Key Measures

⇒ In FY 2006, the board licensed 237 new licensees, 169 by exam and 68 through reciprocity.

⇒ 737 facilities were inspected in FY 2006, approximately 25% of all licensed facilities in the state.

⇒ The board received 81 complaints in FY 2006 and opened 20 cases.

Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be $2.991 million, which includes nine full-time equivalent employees. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

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The board is estimated to collect $2.803 million in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Minnesota Board of Pharmacy
2829 University Avenue Southeast, Suite 530
Minneapolis, Minnesota 55414

The web site at:
http://www.phcybrd.state.mn.us/ gives visitors easy access to useful information about the Board of Pharmacy. Types of information available through the web site include; regulatory news and updates, rules and Minnesota statutes, public notices, and forms.

Cody Wiberg, Executive Director
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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	1,389	1,344	1,344	1,344	2,688
Recommended	**1,389**	**1,344**	**1,375**	**1,442**	**2,817**
Change		0	31	98	129
% Biennial Change from 2006-07					3.1%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	1,106	1,227	1,375	1,442	2,817
Open Appropriations					
State Government Spec Revenue	18	6	17	17	34
Total	**1,124**	**1,233**	**1,392**	**1,459**	**2,851**
Expenditures by Category					
Total Compensation	911	960	1,171	1,269	2,440
Other Operating Expenses	213	273	221	190	411
Total	**1,124**	**1,233**	**1,392**	**1,459**	**2,851**
Expenditures by Program					
Pharmacy, Board Of	1,124	1,233	1,392	1,459	2,851
Total	**1,124**	**1,233**	**1,392**	**1,459**	**2,851**
Full-Time Equivalents (FTE)	**9.6**	**9.0**	**11.0**	**11.0**	

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PHARMACY BOARD

Change Summary

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**1,344**	**1,344**	**1,344**	**2,688**
Technical Adjustments				
Current Law Base Change		(200)	(200)	(400)
Subtotal - Forecast Base	**1,344**	**1,144**	**1,144**	**2,288**
Change Items				
Increase Facility Inspections	0	170	176	346
Operating Budget Increase	0	30	59	89
Compensation Adjustment	0	31	63	94
Total Governor's Recommendations	**1,344**	**1,375**	**1,442**	**2,817**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**6**	**17**	**17**	**34**
Total Governor's Recommendations	**6**	**17**	**17**	**34**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Gov't Special Rev Fund				
Expenditures	170	176	176	176
Revenues	0	0	0	0
Net Fiscal Impact	$170	$176	$176	$176

Recommendation
The Governor recommends an increase to the Board of Pharmacy's annual appropriation by $170,000 in FY 2008 and $176,000 in FY 2009 to hire a Pharmacy Surveyor and an Office Specialist. The additional resources will allow the board to inspect licensed pharmaceutical facilities on a regular basis.

Background
The Board of Pharmacy is staffed with nine full-time equivalent employees, including an Executive Director and five Pharmacy Surveyors, all of who are pharmacists. The primary responsibilities of the surveyors are to inspect facilities and investigate complaints. In addition, the board has administrative staff consisting of one Office Services Supervisor and two Senior Office and Administrative Specialists. In the last two fiscal years, the board has reduced its administrative staff by two employees due to budget pressures.

Since January 1996 the number of licensed facilities requiring inspection by the board has increased over 30%, while the number of surveyors has remained unchanged. Also, the increased use of pharmacy automation, novel drug distribution models and new safety standards has made inspections more complex and time-consuming. For example, in order to properly inspect a telepharmacy operation, two surveyors must be dispatched – one to the central site and one to the remote site.

As a result of these factors, fewer than half of the facilities licensed by the board are inspected each year. Unless an additional surveyor is hired, the board expects this trend to continue due to the opening of new pharmacies. Inspections routinely reveal problems of varying severity at most licensed facilities. The board believes that it is important to inspect facilities more frequently than has been the case during the last several years. More frequent inspections should allow the board to intervene before relatively minor problems turn into major problems.

Since 2001 the number of license applications and renewals has increased by 20%, which will ultimately increase the number of pharmacies in the state. The trend of increasing licensees is expected to continue for the following reasons:

⇒ The number of prescriptions filled annually in this country is projected to increase for the foreseeable future. As a result, pharmacy chains are opening up new stores at a relatively rapid pace.

⇒ To deal with a severe shortage of pharmacists, the University of Minnesota College of Pharmacy has more than doubled the number of students admitted into the program. Starting in May of 2007, an additional 50 students will be graduating from the University of Minnesota-Duluth's program.

Relationship to Base Budget
The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be $2.594 million. The board is estimated to collect $3.033 million in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

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The board's annual appropriation is $1.344 million. This proposal would increase the board's annual appropriation approximately 13%.

Key Measures

The additional resources will assist the board in meeting the following key measures:

- review and approve licenses in a timely manner;
- promptly investigate complaints and resolve investigations;
- protect the citizens by identifying and disciplining impaired practitioners'; and
- inspect pharmaceutical facilities in a timely manner.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Gov't Special Rev Fund				
Expenditures	30	59	30	30
Revenues	0	0	0	0
Net Fiscal Impact	$30	$59	$30	$30

Recommendation

The Governor recommends an increase to the Board of Pharmacy's annual appropriation by $30,000 in FY 2008 and $59,000 in FY 2009 to cover non-salary operating budget expenses, including the cost of investigations, credit card processing fees, and an employee retirement payout.

Background

The board is staffed with nine full-time equivalent employees and receives an annual appropriation of $1.344 million, of which 88% is allocated for salaries. In FY 2009, a long-time employee of the state is planning to retire and has amassed substantial vacation and sick leave time, which the board is obligated to pay. Due to the small size of the budget and other obligations that need to be addressed in the upcoming biennium, the board does not have the ability to pay this one-time obligation from its existing spending authority. The one-time payout accounts for 2.2% of the board's annual appropriation. Despite the increase, the board's revenue is sufficient to cover expenditures.

Since 2001 the number of license applications and renewals has increased by 20%, placing greater demands and pressure on the board's resources. The trend of increasing licensees is expected to continue for the following reasons:

⇒ The number of prescriptions filled annually in this country is projected to increase for the foreseeable future. As a result, pharmacy chains are opening up new stores at a relatively rapid pace.

⇒ To deal with a severe shortage of pharmacists, the University of Minnesota College of Pharmacy has more than doubled the number of students admitted into the program. Starting in May of 2007, an additional 50 students will be graduating from the University of Minnesota Duluth's program.

Over the past ten years, the number of licensed facilities has increased over 30%. The increased use of pharmacy automation, novel drug distribution models, and new safety standards have made inspection more complex and time consuming, which increases the overall costs of investigations and litigation. A separate request addresses the need to add staff to properly inspect the growing number of facilities.

In an effort to improve customer service to licensees, the board has implemented an online licensing renewal system; however, in providing the service, the board incurs processing fees from credit card companies and banks administering the transaction. The board expects to pay $20,000 annually in processing fees over the next biennium to provide the service.

Relationship to Base Budget

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be $2.594 million. The board is estimated to collect $3.033 million in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

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Key Measures

The additional resources will assist the board in meeting the following key measures:

- review and approve licenses in a timely manner;
- promptly investigate complaints and resolve investigations; and
- protect the citizens by identifying and disciplining impaired practitioners.

Statutory Change: Not applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Gov't Special Rev Fund				
Expenditures	31	63	63	63
Revenues	0	0	0	0
Net Fiscal Impact	$31	$63	$63	$63

Recommendation
The Governor recommends additional funding of $31,000 in FY 2008 and $63,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs and 3.25% for other funds.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
State Government Spec Revenue	1,442	1,445	1,502	1,531	3,033
Total Non-Dedicated Receipts	**1,442**	**1,445**	**1,502**	**1,531**	**3,033**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**1,442**	**1,445**	**1,502**	**1,531**	**3,033**

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➲ Designates that this item is a change item

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Agency Purpose

Minnesota Statutes 148.65 - 148.78 and Minnesota Rules 5600.0100 - 5601.3200 authorize the Minnesota Board of Physical Therapy to act as the official licensure agency for physical therapists. It was originally created and currently exists to protect the public's interest through the regulation of physical therapists in the state of Minnesota. Regulation is accomplished through licensure examination and renewal, as well as investigation and resolution of complaints.

The vision of the board is to ensure that Minnesota citizens receive quality physical therapy services from competent physical therapists.

The mission of the board is to protect the public through licensure of qualified physical therapists and to provide timely and impartial resolution of complaints against physical therapists.

At A Glance

Biennial Budget – FY 2006-07:

Total Estimated Expenses: $537,000

Total Estimated Revenues: $569,000

Staff: 2 Full-time equivalent employees

Minnesota Licensed Physical Therapist Statistics
(As of June 30, 2006)

Total Licensed: 3,600

Core Functions

The board accomplishes its mission by:

- establishing standards for initial licensure;
- responding to complaints about physical therapists and enforcing the laws governing the practice of physical therapy in Minnesota;
- ensuring that physical therapists meet the standards for licensure renewal;
- identifying physical therapists who fail to maintain the minimum standards necessary for the provision of safe and quality care;
- providing timely and appropriate disciplinary or corrective action when warranted;
- establishing continuing education requirements and monitoring compliance with those requirements; and
- providing accurate information and education to the public, other interested parties, and licensees.

Operations

⇒ The board consists of nine board members (four physical therapists, one physical therapist assistant, one physician, and three public members) appointed by the governor. The board divides its responsibilities between three subcommittees: the licensure, continuing education, and administration committee; the complaint review committee; and the legislative committee.

⇒ On a daily basis the board staff processes documents and responds to inquiries related to initial license applications, continuing education courses, annual license renewals, complaint registrations and investigations, and the physical therapy practice act. Services are delivered through direct communication, the board's web site, and presentations to students in Minnesota physical therapy educational programs and licensed physical therapists.

⇒ The board serves the following populations: consumers (patients and clients as well as family members and friends of patients), licensed physical therapists, applicants for licensure, employers, governmental agencies, third party payers, and sponsors of education courses.

Key Measures

⇒ In FY 2006 the board processed 212 applications for initial licensure, 3,540 license renewals, and 121 temporary permit applications; reviewed 374 continuing education courses; and investigated and reached final disposition on 37 complaint files.

⇒ Annual license renewal applications are fully processed the day they are received. Exam scores are e-mailed to applicants on the day the results are received by the board. Initial licenses are issued, on average, one week after the applicant meets all requirements.

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Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be $537,000, which includes 2.0 full-time equivalent employees. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, Office of Mental Health Program, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The board is estimated to collect $569,000 in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Minnesota Board of Physical Therapy
2829 University Avenue Southeast
Suite 420
Minneapolis, Minnesota 55414

The web site at: http://www.physicaltherapy.state.mn.us/ gives visitors easy access to useful information about physical therapists. Types of information available through the web site include: regulatory news and updates, public notices, search and verification of licensure status, Minnesota Physical Therapy statutes and rules, complaint and report information and forms, disciplinary orders, and licensure application forms and instructions.

Stephanie Lunning, Executive Director
E-mail: physical.therapy@state.mn.us
Phone: (612) 627-5406
Fax: (612) 627-5403
TDD: 1 (800) 627-3529

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	210	207	207	207	414
Recommended	**210**	**207**	**306**	**295**	**601**
Change		0	99	88	187
% Biennial Change from 2006-07					44.1%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	200	217	306	295	601
Open Appropriations					
State Government Spec Revenue	5	4	6	6	12
Total	**205**	**221**	**312**	**301**	**613**
Expenditures by Category					
Total Compensation	161	162	221	234	455
Other Operating Expenses	44	59	91	67	158
Total	**205**	**221**	**312**	**301**	**613**
Expenditures by Program					
Physical Therapy Bd	205	221	312	301	613
Total	**205**	**221**	**312**	**301**	**613**
Full-Time Equivalents (FTE)	**1.9**	**1.9**	**3.0**	**3.0**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**207**	**207**	**207**	**414**
Subtotal - Forecast Base	**207**	**207**	**207**	**414**
Change Items				
License Physical Therapist Assistants	0	82	65	147
Operating Budget Increase	0	12	12	24
Compensation Adjustment	0	5	11	16
Total Governor's Recommendations	**207**	**306**	**295**	**601**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**4**	**6**	**6**	**12**
Total Governor's Recommendations	**4**	**6**	**6**	**12**

Revenue Change Items

Fund: STATE GOVERNMENT SPEC REVENUE				
Change Items				
License Physical Therapist Assistants	0	165	73	238

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Gov't Special Rev Fund				
Expenditures	82	65	65	65
Revenues	165	73	73	73
Net Fiscal Impact	($83)	($8)	($8)	($8)

Recommendation
The Governor recommends the Board of Physical Therapy begin licensing and regulating physical therapist assistants (PTA). The proposal will enable the board to add an additional employee and fund related one-time start-up costs. The additional fees collected from physical therapy assistants will more than offset the additional expenses required to implement the proposal.

Background
Minnesota is one of five states that do not license PTAs. The need to license PTAs is illustrated by the following scenarios:

⇒ An individual that failed the national licensing exam, would not qualify for licensure in 45 other states, can work in Minnesota.

⇒ A PTA that had their licensed revoked in another state would be able to work in Minnesota.

⇒ A PTA may not be disciplined for violating the Physical Therapy Practice Act; only the supervising physical therapist may be disciplined.

The proposal will enable the board to hire one additional employee and provide one-time start-up cost of $17,000 in FY 2008. The one-time cost include updates to the existing licensee database, cost associated with Rule revision, and providing information to existing licensees.

The proposal will increase the board's revenue by $165,000 in FY 2008 and $73,000 each year thereafter. The proposed fees for PTAs are equal to the current fees for physical therapists, which have not changed since 1994. The actual number of PTAs currently working in Minnesota is unknown. Estimates have been made by extrapolating the ratio of physical therapists to physical therapist assistants in other states in the upper Midwest region.

Relationship to Base Budget
The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be $550,000. The board is estimated to collect $597,000 in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

Key Measures
The additional resources will assist the board in meeting the following key measures:

- review and approve licenses in a timely manner;
- promptly investigate complaints and resolve investigations; and
- protect the citizens by identifying and disciplining impaired practitioners.

Statutory Change: M.S. 148.65 - 148.78

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Gov't Special Rev Fund				
Expenditures	12	12	12	12
Revenues	0	0	0	0
Net Fiscal Impact	$12	$12	$12	$12

Recommendation
The Governor recommends increasing the Board of Physical Therapy's annual appropriation by $12,000 in FY 2008 and $12,000 for FY 2009 to cover non-salary operating budget expenses, including the cost of investigations and credit card processing fees.

Background
In FY 2006 the board licensed 3,588 physical therapist, a 12% increase since FY 2001. In addition, the cases have become more complex and take more time to resolve, which increases the overall costs of investigation and litigation. The additional resources will allow the board to properly investigate and adjudicate cases that come before the board.

In an effort to improve customer service to licensees, the board has implemented an online licensing renewal system; however, in providing the service, the board incurs processing fees from credit card companies and banks administering the transaction. The board expects to pay $8,000 annually in processing fees over the next biennium.

Relationship to Base Budget
The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be $550,000. The board is estimated to collect $597,000 in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

Key Measures
The additional resources will assist the board in meeting the following key measures:
- review and approve licenses in a timely manner;
- promptly investigate complaints and resolve investigations; and
- protect the citizens by identifying and disciplining impaired practitioners.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Gov't Special Rev Fund				
Expenditures	5	11	11	11
Revenues	0	0	0	0
Net Fiscal Impact	$5	$11	$11	$11

Recommendation
The Governor recommends additional funding of $5,000 in FY 2008 and $11,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs and 3.25% for other funds.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
State Government Spec Revenue	298	297	463	372	835
Other Revenues:					
State Government Spec Revenue	(5)	0	0	0	0
Total Non-Dedicated Receipts	**293**	**297**	**463**	**372**	**835**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**293**	**297**	**463**	**372**	**835**

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➲ Designates that this item is a change item

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Agency Purpose

Minnesota Statutes 153.01-153.26 and Minnesota Rules, Ch. 6900 authorize the Minnesota Board of Podiatric Medicine to act as the official licensure agency for podiatrists. The board was originally created and currently exists to protect the public's interest through the regulation of podiatrists in the state of Minnesota. Regulation is accomplished through licensure examination and renewal, as well as by the investigation of complaints.

The mission of the board is:

- to promote the public's interest in quality podiatric health care from competent podiatric health professionals by ensuring that podiatrists' qualifications meet the specifications established by the board; and
- to protect the public by ensuring that all licensees provide quality podiatric health care.

At A Glance

Biennial Budget – FY 2006-07:

Total Estimated Expenses: $156,000

Total Estimated Revenues: $164,000

Staff: .50 Full-time equivalent employee

Minnesota Licensed Podiatrists Statistics
(As of June 30, 2006)

Total Licensed: 189

Core Functions

The board accomplishes its mission by:

- setting and administering educational requirements and examination standards for licensure as a podiatrist;
- responding to public and agency inquiries, complaints and reports regarding licensure and conduct on applicants, permit holders, licensees and unlicensed practitioners;
- reviewing complaints of alleged violations of statutes and rules, holding disciplinary conferences with licensees, and taking legal action to suspend or revoke the licenses of podiatrists who fail to meet standards; and
- providing information and education about licensure requirements and standards of practice to the public and other interested audiences.

Operations

⇒ The board is made up of five podiatrists and two public members appointed by the governor and is staffed by a half-time executive director. The Complaint Resolution Committee consists of a podiatrist appointed by the board and a public member.

⇒ Services are delivered by issuing licenses to qualified individuals, issuing renewal certificates to licensees meeting continuing education requirements, issuing temporary permits to individuals completing podiatric residencies, and providing license verifications to credentialing services and medical facilities.

⇒ The board protects the public by investigating complaints and holding educational and disciplinary conferences with licensees. Disciplinary actions and agreements for corrective action are issued as needed to further protect the public.

Key Measures

⇒ On an annual basis the board investigates 10-12 complaints filed against licensed podiatrists.

⇒ In FY 2006 the board issued six new podiatric licenses, renewed 93 licenses, issued seven temporary permits, processed annual corporate renewals for 35 podiatric corporations, and provided more than 650 license verifications to medical facilities and credentialing agencies.

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Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be $156,000, which includes .50 full-time equivalent employees. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The board is estimated to collect $164,000 in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Minnesota Board of Podiatric Medicine
2829 University Avenue Southeast
Suite 430
Minneapolis, Minnesota 55414

The web site at: http://www.podiatry.state.mn.us gives visitors easy access to useful information about podiatric medicine. Types of information available through the web site include: regulatory news and updates, rules and Minnesota statutes, public notices, and forms.

Keith Hovland, Executive Director
E-mail: podiatric.medicine@state.mn.us
Phone: (612) 617-2200
Fax: (612) 617-2698
TDD: (612) 297-5353 or 1 (800) 627-3529

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	49	53	53	53	106
Recommended	**49**	**53**	**54**	**63**	**117**
Change		0	1	10	11
% Biennial Change from 2006-07					14.7%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	48	54	54	63	117
Open Appropriations					
State Government Spec Revenue	8	8	8	8	16
Total	**56**	**62**	**62**	**71**	**133**
Expenditures by Category					
Total Compensation	38	42	45	55	100
Other Operating Expenses	18	20	17	16	33
Total	**56**	**62**	**62**	**71**	**133**
Expenditures by Program					
Podiatry, Board Of	56	62	62	71	133
Total	**56**	**62**	**62**	**71**	**133**
Full-Time Equivalents (FTE)	**0.5**	**0.5**	**0.5**	**0.5**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**53**	**53**	**53**	**106**
Subtotal - Forecast Base	**53**	**53**	**53**	**106**
Change Items				
Retirement Payout	0	0	7	7
Compensation Adjustment	0	1	3	4
Total Governor's Recommendations	**53**	**54**	**63**	**117**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**8**	**8**	**8**	**16**
Total Governor's Recommendations	**8**	**8**	**8**	**16**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Gov't Special Rev Fund				
Expenditures	0	7	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$7	$0	$0

Recommendation
The Governor recommends a one-time increase to the Board of Podiatry's annual appropriation by $7,000 in FY 2009 to cover the cost of an employee retirement payout.

Background
The board is staffed with a part-time Executive Director and receives an annual appropriation of $53,000, of which 83% is allocated for salaries. In FY 2009, a long-time employee of the state is planning to retire and has amassed substantial vacation and sick leave time, which the board is obligated to pay. Due to the small size of the budget, the board does not have the ability to pay this one-time obligation from its existing spending authority. The one-time payout accounts for 13% of the board's annual appropriation. Despite the increase, the board's revenue is sufficient to cover expenditures.

Relationship to Base Budget
The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be $164,000. The board is estimated to collect $164,000 in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Gov't Special Rev Fund				
Expenditures	1	3	3	3
Revenues	0	0	0	0
Net Fiscal Impact	$1	$3	$3	$3

Recommendation
The Governor recommends additional funding of $1,000 in FY 2008 and $3,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs and 3.25% for other funds.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
State Government Spec Revenue	85	82	82	82	164
Other Revenues:					
State Government Spec Revenue	(1)	0	0	0	0
Total Non-Dedicated Receipts	**84**	**82**	**82**	**82**	**164**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**84**	**82**	**82**	**82**	**164**

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➲ Designates that this item is a change item

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Minnesota Pollution Control Agency

January 22, 2007

To the 2007 Legislature:

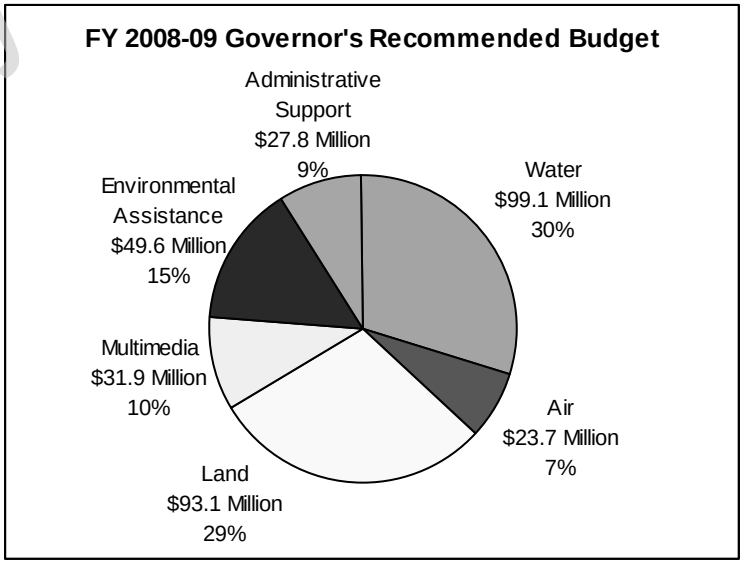
On behalf of Governor Pawlenty, I am pleased to submit FY 2008-09 budget recommendations for the Minnesota Pollution Control Agency (MPCA). This budget includes $50.1 million in appropriations from the General Fund, $124.6 million from the Environmental Fund, $72.3 million from the Remediation Fund, $43.0 in federal funds, and $35.2 million from other sources. The budget totals $325.3 million, an 11.8% increase from the FY 2008-09 forecast base.

This recommended budget plan represents the second biennial cycle since joining the former Office of Environmental Assistance with the Minnesota Pollution Control Agency. Combining the two organizations has united and focused priorities, broadened the tools applied to an expanding range of environmental issues, and infused new energy and greater scope to public education and outreach efforts. The development of the budget plan gave MPCA an opportunity to reflect on the agency mission, program priorities, core functions and results. In the process MPCA has defined its priorities based on sound science and has included input from citizens and stakeholders.

MPCA's mission is to work with Minnesotans to protect, conserve and improve our environment and enhance our quality of life. To fulfill this mission MPCA has adopted these principles:

- Focus on priorities and manage for environmental results;
- Actively partner to leverage knowledge, ideas and resources;
- Rely on data for decision-making;
- Integrate economic, social and environmental sciences when developing environmental policy; and
- Strive for excellence and innovation in service delivery.

MPCA's FY 2008-09 $325.3 million budget is organized into six programs: Water, Air, Land, Multimedia, Environmental Assistance and Administrative Support. The Water, Air and Land Programs represent the three environmental media. The Multimedia Program includes activities that cross and combine the three environmental media. Environmental Assistance provides scientific and technical support, builds partnerships, and trains and educates citizens on environmental issues. Administrative Support enables the delivery of program activities for the water, air and land media, as well as for the Multimedia and Environmental Assistance programs.



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The budget plan reflects MPCA's program priorities, which are:

- Identifying and cleaning up Minnesota's polluted lakes, rivers and streams;
- Helping businesses and individuals make wiser decisions about the products made and purchased in
- the state;
- Limiting air pollution from vehicles and other emission sources;
- Operating our core permitting, compliance and enforcement programs efficiently and effectively; and
- Preventing and responding to environmental emergencies.

MPCA's budget plan shows how the agency has expanded its focus regarding smaller, more diverse non-point sources as well as the larger, point sources of pollution. The MPCA recognizes the importance of operating strong, core regulatory and assistance programs. Within each of these areas, MPCA will continue to monitor the health of the environment, measure program effectiveness, and report on our results.

While MPCA's plan includes eight budget initiatives, its four major initiatives are noted below:

Clean Water Legacy. Funded at $21.14 million for the biennium from the General Fund, this request expands the work done by the MPCA on the assessment and monitoring of water resources and for the development of total maximum daily load (TMDL) reports. Assessment and monitoring work collects and analyzes water quality data to inform and direct resource allocation decisions. The next step is the preparation of TMDL reports, which are plans for restoring waters to their designated water quality uses.

Ethanol, mining and economic development initiative. Funded at $6.0 million for the biennium from the General Fund, this request will enable MPCA to meet the demand to complete timely environmental review and permitting actions generated by strong growth in the ethanol, mining and power sectors of the Minnesota economy. Funding is only for the biennium. MPCA is committed to work with stakeholders to identify and implement a long-term funding solution.

Green fuels, green fleets, green energy. Funded at $3.0 million for the biennium from the Environmental Fund, MPCA will use the increased resources to promote alternative fuels in vehicles, reduce emissions of greenhouse gases and other pollutants, improve the fuel efficiency of transportation fleets, and accelerate the transition to cleaner energy sources. MPCA will be able to leverage this funding through outside private and federal sources. Further, businesses and citizens are expressing a very strong interest and commitment in these areas.

Restore county SCORE grants. Funded at $3.0 million for the biennium from the Environmental Fund, the additional funding demonstrates MPCA's continued support of Minnesota's recycling system, helps restore lost program elements, and furthers the positive economic and environmental benefits associated with these programs. All eighty-seven counties receive a SCORE grant to fund a portion of local solid waste collection, recycling and disposal programs.

The MPCA affirms its commitment to maintaining past environmental improvements, advancing priority programs, and meeting Minnesotans' expectations for a cleaner, healthier place to live and conduct business. MPCA looks forward to working with you in the coming months.

Sincerely,

Brad Moore
Commissioner

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Agency Purpose

The mission of the Minnesota Pollution Control Agency (MPCA) is to work with Minnesotans to protect, conserve, and improve our environment and enhance our quality of life.

The vision for MPCA is:

- clean and sustainable surface and ground water systems;
- clean and clear air;
- land that supports desired uses;
- excellence in operations; and
- Minnesotans taking responsibility to protect our environment.

The results of MPCA's efforts are demonstrable: waste has been reduced, recycling levels have increased, and the air, land, and water are cleaner now than they were 30 years ago.

Guiding Principles

MPCA's mission is implemented through the following guiding principles:

⇒ Focus on priorities and manage for environmental results.
⇒ Actively partner to leverage knowledge, ideas, and resources.
⇒ Rely on data for decision-making.
⇒ Integrate economic, social, and environmental sciences when developing environmental policy.
⇒ Strive for excellence and innovation in service delivery.

Operations

Effective July 2005, the legislature approved combining the existing staff, authorities and expertise of the MPCA with those of the Office of Environmental Assistance (OEA). Combining the OEA and MPCA has united and focused the priorities of the two organizations, broadened the tools being applied to an expanding range of environmental issues, and given new energy and greater scope to public education and outreach efforts.

At A Glance

- MPCA leverages partnerships and resources to address environmental issues and achieve positive results.
- MPCA uses multiple tools and approaches: technology, financial and technical assistance, prevention, best management practices, regulation and cleanup solutions. A multifaceted approach is typically required to address complex environmental issues.
- MPCA's product stewardship program provides an innovative approach to conserving resources, reducing waste, and increasing recycling. The program is currently working on initiatives for carpet, electronics, paint, and mercury-containing products.
- MPCA performs monitoring at more than 750 sites across the state to determine environmental conditions of air, surface waters, and ground water.
- MPCA continues to provide resources to local units of government to reduce waste generation and improve the cost effectiveness of recycling, composting and recovery programs.
- MPCA performs permitting, inspection, compliance determination, and enforcement at sites that impact air, water, and land. These efforts cover 2,800 sites for mobile and point air sources; 44,000 facilities and generators of solid and hazardous waste; and 47,000 wastewater, feedlots and stormwater sites.
- MPCA oversees state-financed clean up at 265 contaminated sites and monitors clean up of an additional 3,000 sites.

MPCA requests funding according to media: water, air, and land. Multimedia includes activities that cross and combine the three major media. The Environmental Assistance Program includes many of the activities of the former OEA. Administrative Support enables the delivery of program activities for the water, air, and land media, Multimedia and Environmental Assistance.

The Commissioner's Office sets the strategic direction for MPCA and provides an essential link to stakeholders and partners. In addition to the Commissioner's Office, the agency is organized into seven divisions. Programs and services are managed and delivered through MPCA offices in St. Paul, Duluth, Brainerd, Rochester, Mankato, Detroit Lakes, Willmar, and Marshall.

The Environmental Analysis and Outcomes Division monitors and evaluates the physical, chemical, and biological conditions of Minnesota's environment. The division identifies potential impacts to human health and the environment, helps set environmental goals, establishes environmental standards, helps develop permit limits, and reports results to staff, stakeholders, and citizens.

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The Prevention and Assistance Division provides information and economic, technical, and educational assistance that result in the implementation and increased use of environmentally and economically beneficial behaviors, technologies, and products. The Customer Assistance Center responds to requests for information and assistance from citizens. Small business assistance and pollution prevention services are also based in this division.

The Remediation Division provides emergency response and remediation (clean-up) services for contaminated sites, redevelopment projects and closed landfills. Superfund and leaking storage tank cleanup are also based in this division.

The Regional Division provides for environmental problem solving at the local level. The focus is on building local capacity to restore and improve the environment. Water quality planning and implementation programs are based in this division as well as the clean water partnership, feedlots, total maximum daily load (TMDL) implementation, and basin planning.

The Industrial Division provides regulatory services to industrial sources of air, water, and land pollution. Permitting, compliance, and enforcement for water and air quality, industrial solid waste, hazardous waste, and industrial stormwater are based in this division as well as associated rule-making activities.

The Municipal Division provides regulatory services to operators of publicly owned wastewater treatment and stormwater facilities. Services are also provided to mixed municipal landfills and transfer stations. The regulatory services include permitting, compliance, and enforcement.

The Operational Support Division oversees the MPCA's finances and its business operations (vehicle fleet, equipment and supplies, facilities and leasing, mail and shipping, and more), human resources processes and issues, and communication services. Division staff is mainly located in St. Paul.

The MPCA Citizens' Board acts on significant and controversial environmental issues.

Budget

Twenty or more years ago, environmental fees and taxes were created to fund regulatory programs that addressed point source pollution. More recently MPCA has identified non-point sources as the major contributors to air and water pollution. Program costs to address non-point pollution do not readily align with the former fee structures. Fund consolidation, authorized by the legislature in 2003, enhanced MPCA's funding flexibility and its ability to direct resources to priority activities.

Authorized appropriations in FY 2006-07 for MPCA's six programs totaled $271.6 million. The mix of funding was 10% General Fund, 43% Environmental Fund, 20% Remediation Fund, 16% federal and 11% other sources.

Contact

For more information, contact: Leo Raudys, MPCA Deputy Commissioner, at (651) 296-7305.

In addition, visitors can learn more about environmental issues at www.pca.state.mn.us. The site contains information on pollution prevention, reuse, recycling, responsible waste management, sustainable practices, as well as access to regulatory news and updates, rules, public notices, agency initiatives, details about environmental quality and current "hot topics."

The MPCA's strategic plan can be accessed at www.pca.state.mn.us/publications/reports/strategicplan.html.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Environment & Natural Resource					
Current Appropriation	300	300	300	300	600
Recommended	**300**	**300**	**0**	**0**	**0**
Change		0	(300)	(300)	(600)
% Biennial Change from 2006-07					-100%
General					
Current Appropriation	11,353	16,394	16,394	16,394	32,788
Recommended	**11,353**	**16,394**	**25,022**	**25,111**	**50,133**
Change		0	8,628	8,717	17,345
% Biennial Change from 2006-07					80.7%
State Government Spec Revenue					
Current Appropriation	48	48	48	48	96
Recommended	**48**	**48**	**48**	**48**	**96**
Change		0	0	0	0
% Biennial Change from 2006-07					0%
Environmental					
Current Appropriation	55,719	56,026	56,026	56,026	112,052
Recommended	**55,719**	**56,026**	**59,725**	**59,922**	**119,647**
Change		0	3,699	3,896	7,595
% Biennial Change from 2006-07					7.1%
Remediation Fund					
Current Appropriation	13,404	11,404	11,404	11,404	22,808
Recommended	**13,404**	**11,404**	**11,016**	**11,086**	**22,102**
Change		0	(388)	(318)	(706)
% Biennial Change from 2006-07					-10.9%
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	440	319	0	0	0
General	10,024	17,550	25,022	25,111	50,133
State Government Spec Revenue	27	69	48	48	96
Environmental	51,022	60,595	59,725	59,922	119,647
Remediation Fund	10,513	12,095	11,016	11,086	22,102
Statutory Appropriations					
Clean Water Revolving Fund	3,215	5,018	4,064	4,064	8,128
State Government Spec Revenue	1	1	1	1	2
Misc Special Revenue	13,501	16,465	13,422	13,535	26,957
Federal	19,255	28,559	21,091	21,913	43,004
Environmental	971	2,514	2,479	2,479	4,958
Remediation Fund	32,203	36,510	23,254	26,954	50,208
Miscellaneous Agency	78	0	0	0	0
Gift	2	22	11	11	22
Total	**141,252**	**179,717**	**160,133**	**165,124**	**325,257**
Expenditures by Category					
Total Compensation	59,148	65,081	68,459	70,336	138,795
Other Operating Expenses	55,707	80,534	61,158	62,762	123,920
Capital Outlay & Real Property	1,099	20	20	20	40
Local Assistance	22,862	29,359	26,868	28,378	55,246
Other Financial Transactions	2,436	4,523	3,376	3,376	6,752
Transfers	0	200	252	252	504
Total	**141,252**	**179,717**	**160,133**	**165,124**	**325,257**

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Program					
Water	31,976	52,654	48,888	50,234	99,122
Air	9,281	12,041	11,723	11,997	23,720
Land	52,602	59,889	44,965	48,169	93,134
Multimedia	14,206	16,950	15,945	15,977	31,922
Administrative Support	13,161	16,056	13,836	13,971	27,807
Environmental Assistance	20,026	22,127	24,776	24,776	49,552
Total	**141,252**	**179,717**	**160,133**	**165,124**	**325,257**
Full-Time Equivalents (FTE)	**806.3**	**854.0**	**880.7**	**873.3**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2007 Appropriations	**300**	**300**	**300**	**600**
Technical Adjustments				
One-time Appropriations		(300)	(300)	(600)
Subtotal - Forecast Base	**300**	**0**	**0**	**0**
Total Governor's Recommendations	**300**	**0**	**0**	**0**
Fund: GENERAL				
FY 2007 Appropriations	**16,394**	**16,394**	**16,394**	**32,788**
Technical Adjustments				
One-time Appropriations		(5,030)	(5,030)	(10,060)
Subtotal - Forecast Base	**16,394**	**11,364**	**11,364**	**22,728**
Change Items				
Clean Water Legacy	0	10,570	10,570	21,140
Ethanol, Mining, Economic Development	0	3,000	3,000	6,000
Compensation Adjustment	0	88	177	265
Total Governor's Recommendations	**16,394**	**25,022**	**25,111**	**50,133**
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**48**	**48**	**48**	**96**
Subtotal - Forecast Base	**48**	**48**	**48**	**96**
Total Governor's Recommendations	**48**	**48**	**48**	**96**
Fund: ENVIRONMENTAL				
FY 2007 Appropriations	**56,026**	**56,026**	**56,026**	**112,052**
Subtotal - Forecast Base	**56,026**	**56,026**	**56,026**	**112,052**
Change Items				
Maintain Service Levels in Air Programs	0	259	526	785
Green Fleets, Green Fuels, Green Energy	0	1,500	1,500	3,000
County SCORE Grants	0	1,500	1,500	3,000
Internal Reprogramming	0	440	370	810
Total Governor's Recommendations	**56,026**	**59,725**	**59,922**	**119,647**
Fund: REMEDIATION FUND				
FY 2007 Appropriations	**11,404**	**11,404**	**11,404**	**22,808**
Subtotal - Forecast Base	**11,404**	**11,404**	**11,404**	**22,808**
Change Items				
Transfer to Health	0	52	52	104
Internal Reprogramming	0	(440)	(370)	(810)
Total Governor's Recommendations	**11,404**	**11,016**	**11,086**	**22,102**

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: CLEAN WATER REVOLVING FUND				
Planned Statutory Spending	**5,018**	**4,064**	**4,064**	**8,128**
Total Governor's Recommendations	**5,018**	**4,064**	**4,064**	**8,128**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	**1**	**1**	**1**	**2**
Total Governor's Recommendations	**1**	**1**	**1**	**2**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**16,465**	**13,422**	**13,535**	**26,957**
Total Governor's Recommendations	**16,465**	**13,422**	**13,535**	**26,957**
Fund: FEDERAL				
Planned Statutory Spending	**28,559**	**21,091**	**21,913**	**43,004**
Total Governor's Recommendations	**28,559**	**21,091**	**21,913**	**43,004**
Fund: ENVIRONMENTAL				
Planned Statutory Spending	**2,514**	**2,479**	**2,479**	**4,958**
Total Governor's Recommendations	**2,514**	**2,479**	**2,479**	**4,958**
Fund: REMEDIATION FUND				
Planned Statutory Spending	**36,510**	**23,254**	**26,954**	**50,208**
Total Governor's Recommendations	**36,510**	**23,254**	**26,954**	**50,208**
Fund: GIFT				
Planned Statutory Spending	**22**	**11**	**11**	**22**
Total Governor's Recommendations	**22**	**11**	**11**	**22**

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Program Description

The Water Program protects and improves Minnesota's rivers, lakes, wetlands, and ground water so they support healthy aquatic life and human health. The Minnesota Pollution Control Agency (MPCA) receives its authority through delegation of the federal Clean Water Act (CWA) from the U.S. Environmental Protection Agency (EPA) and state statutes.

The MPCA establishes designated uses for each water body, such as swimming, drinking, and fishing; sets standards for the pollutants that impact the designated use; and monitors these waters to determine if they meet standards.

The MPCA has water monitoring data for 16% of Minnesota's 12,000 largest lakes and 11% of its 9,000 stream reaches. However, data is sufficient to fully assess only 4% of lakes and 11% of streams for aquatic life or recreation to determine if they meet designated uses as required by the CWA. Approximately 60% meet the designated uses; those that do not are designated as "impaired" waters. Restoration plans are then developed and implemented for these waters.

Program at a Glance

- Development of restoration plans for 2,250 impairments on lakes, rivers and streams and preservation of high quality waters via a basin/watershed approach
- Stormwater program development, permitting, compliance determination, and enforcement for ~240 municipalities, 1,650 industrial facilities, and ~4,000 construction projects per year.
- Water quality point source permitting, compliance determination and enforcement
- Water quality monitoring
- Animal feedlots permitting, compliance determination and enforcement
- Clean Water Partnership (grants to local units of government to improve water quality)
- Individual Sewage Treatment Systems (ISTS)

The MPCA's mission is to prevent degradation of water quality in Minnesota surface waters and to establish plans to restore those identified as impaired. This is accomplished by regulating municipal and industrial discharges and failing septic systems, controlling stormwater runoff, permitting feedlots and ensuring compliance, and monitoring and assessing water quality to provide information upon which to make social, financial, technical, and environmental management decisions.

The strategic goals for the Water Program are/described below:

- assess the chemical, physical, and biological integrity of lakes, streams and wetlands to identify if designated uses are being met, and provide information on the condition of waters;
- maintain and enhance the chemical, physical, and biological integrity of Minnesota lakes, streams, and wetlands so that water quality standards and designated uses are met and degradation is prevented;
- restore the chemical, physical, and biological integrity of Minnesota lakes, streams, and wetlands that do not support designated uses;
- assess the condition of Minnesota's ground water systems; and
- prevent or reduce degradation and depletion of ground water.

Population Served

This program serves all citizens of the state by protecting Minnesota's lakes, streams, and wetlands from many kinds of pollution. The goal is to maintain the ability of Minnesotans to drink, fish, and swim in Minnesota's abundant water resources.

⇒ The program regulates a large and diverse array of business and municipal activities in Minnesota.
⇒ The program provides grants and loans to local units of government to address pollution problems such as urban and rural runoff and failing septic systems.
⇒ The program supports river basin management groups who receive financial and technical assistance from the MPCA.
⇒ The program forms partnerships so information regarding economic, health, and recreational concerns are considered in decision-making.

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Services Provided

The water programs use a basin approach to deliver the following services:

Assess:

⇒ Monitor river and lake water quality through use of remote sensing and citizen volunteers.
⇒ Monitor long-term sites and those waters that have been identified as potentially not meeting their designated uses more intensely through water chemistry, biological integrity, and physical monitoring methods.
⇒ Assess monitoring data for water bodies for which the MPCA has adequate data to determine impairment status as required by the CWA.
⇒ Monitor ambient ground water quality at a limited number of sites around the state, working closely with the Minnesota Departments of Agriculture and Health.

Prevent/Protect:

⇒ Use critical data to set standards in water to protect Minnesota's waters, set priorities for treatment and set discharge limits.
⇒ Issue permits under the federal CWA, including inspections and enforcement follow-up as necessary for 663 industrial and 827 municipal facilities.
⇒ Develop and implement the Phase II stormwater program under the CWA that includes permitting, technical assistance, inspections, and enforcement follow-up as necessary for approximately 240 municipalities, 1,650 industrial facilities, and 4,000 construction projects per year.
⇒ Issue permits under the federal CWA and state law for over 1,000 animal feedlots, including inspections and enforcement follow-up as necessary, and oversee 30,000 feedlots registered under state law, administered by the MPCA and county governments.

Restore/Improve:

⇒ Develop watershed plans to address water quality problems.
⇒ Provide grant and loan funds to clean up pollution from urban and rural runoff, individual sewage treatment upgrades, and feedlot upgrades at over 350 project sites in the past five years.
⇒ Initiate over 58 Total Maximum Daily Load (TMDL) evaluations that address 259 impairments to determine sources of impairment. (To meet EPA requirement to complete TMDLs within 15 years of listing, the MPCA must have started TMDLs for 384 impairments).

Historical Perspective

In the past, efforts were focused on regulating industrial and municipal discharges, with a special emphasis on municipal wastewater treatment facilities. At the time, this focus was appropriate because these sources were the largest controllable source of water pollution. Current emphasis is on gaining new efficiencies, particularly in the permitting and enforcement portions of the program and on improving integration with the Minnesota's interagency approach to impaired waters activities. Another focus is addressing the small un-sewered or under-sewered communities.

The MPCA continues to address dispersed sources of pollutants including stormwater runoff, individual septic systems, feedlots, and forestry. More emphasis and funding have been directed to these sources of pollutants reaching our waters. Although individual sources are often small, their cumulative impacts are significant. The emphasis placed on these sources does not replace the work that must continue to be directed at municipal and industrial sources.

The stormwater program experienced dramatic change with the issuance of federal Phase II stormwater regulations in 2003. The scope of the program virtually exploded as a result of new program provisions requiring permitting and oversight at construction projects greater than one acre. Equally significant was a recent court decision that eliminated the MPCA's ability to issue conventional general stormwater permits to municipalities. The MPCA must now "meaningfully review" and provide public notice on permit applications. The agency must also convene public meetings whenever the public requests them.

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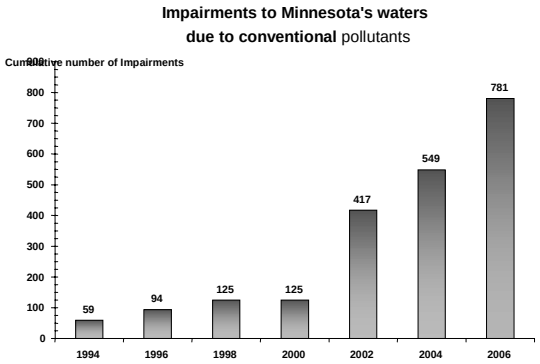
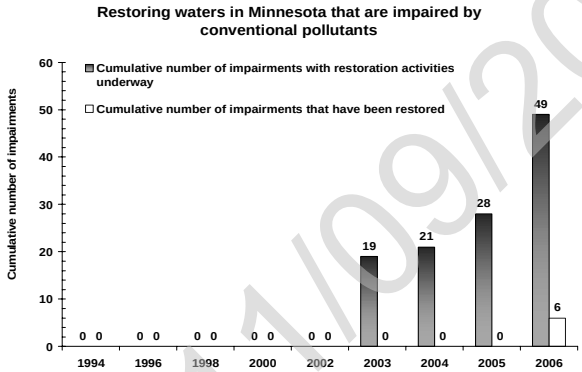
The CWA requires states to list impaired waters, and to develop and implement clean-up plans. The 2006 legislature passed the Clean Water Legacy Act and authorized funding for one year. The state has more than 2,250 impairments affecting 1,297 lakes and streams. Just over 64% of the impairments are attributed to mercury and other bio-accumulative pollutants.





Key Measures

The MPCA assesses waters and lists the impaired waters every two years in accordance with the CWA. Once listed, the MPCA must identify all sources of pollutants causing poor water quality and allocate responsibility for addressing the impairment in a TMDL. Once the TMDL is complete, the MPCA works with stakeholders to restore the water body so it meets its designated use. As of July 2006, the MPCA has completed five studies addressing 49 conventional impairments and is implementing clean-up efforts. In addition, the MPCA has 58 TMDLs addressing 259 conventional impairments underway to determine the sources of impairment. As of July 2006, the MPCA also has a TMDL underway that addresses 512 mercury impairments.

Over the past ten years, the MPCA has significantly reduced the number of expired wastewater permits awaiting re-issuance. By streamlining permit reviews, setting individual and programmatic performance goals, and equalizing the number of permits issued each year to balance the workload throughout the five-year permitting cycle, the MPCA issues about 93% of wastewater permits on time.

Program Funding

Authorized appropriations for the Water Program in FY 2006-07 totaled $80.3 million. The funding mix: 45% Environmental Fund, 25% General Fund, 24% federal and 6% other sources.

During the past decade, the water program has experienced a variety of funding challenges. Revenues from water fees have not kept pace with inflation. Past MPCA requests for fee increases have not been approved by the legislature, and the budget pressures on the General Fund have reduced Water Program funding each year since FY 2003. Authorized transfers of funds from other sources have mitigated the imbalance between receipts, appropriations and the cost of Water Program activities.

The 2006 legislature authorized funding for the Clean Water Legacy Act as a one-year appropriation in FY 2007. This has allowed the MPCA to increase monitoring for one year, and to proceed on ten TMDLs.

Contact

For more information, contact John Holck, Assistant Division Director at (651) 297-7568 or toll-free at 1 (800) 657-3864.

The MPCA web site at: http://www.pca.state.mn.us provides useful information about Minnesota's environment. The types of information available through the site include regulatory news and updates, rules, public notices, agency initiatives, and details about environmental quality and current "hot topics."

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For information on how the MPCA measures some of its efforts to meet statewide goals, please visit: http://www.departmentresults.state.mn.us

Impaired waters reports to the legislature are located at: http://www.pca.state.mn.us/publications/reports/lrwq-iw-1sy04.pdf and http://www.pca.state.mn.us/publications/reports/lrwq-s-lsy03.pdf.

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POLLUTION CONTROL AGENCY

Program: WATER

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	7,506	12,547	12,547	12,547	25,094
Technical Adjustments					
One-time Appropriations			(5,030)	(5,030)	(10,060)
Subtotal - Forecast Base	7,506	12,547	7,517	7,517	15,034
Governor's Recommendations					
Clean Water Legacy		0	10,570	10,570	21,140
Ethanol, Mining, Economic Development		0	1,035	1,035	2,070
Compensation Adjustment		0	29	57	86
Total	**7,506**	**12,547**	**19,151**	**19,179**	**38,330**
State Government Spec Revenue					
Current Appropriation	48	48	48	48	96
Subtotal - Forecast Base	48	48	48	48	96
Total	**48**	**48**	**48**	**48**	**96**
Environmental					
Current Appropriation	17,874	17,874	17,874	17,874	35,748
Subtotal - Forecast Base	17,874	17,874	17,874	17,874	35,748
Governor's Recommendations					
Internal Reprogramming		0	440	370	810
Total	**17,874**	**17,874**	**18,314**	**18,244**	**36,558**
Expenditures by Fund					
Direct Appropriations					
General	6,513	13,413	19,151	19,179	38,330
State Government Spec Revenue	27	69	48	48	96
Environmental	15,227	20,521	18,314	18,244	36,558
Statutory Appropriations					
Clean Water Revolving Fund	3,215	5,018	4,064	4,064	8,128
Misc Special Revenue	71	80	0	0	0
Federal	6,923	13,546	7,311	8,699	16,010
Environmental	0	7	0	0	0
Total	**31,976**	**52,654**	**48,888**	**50,234**	**99,122**
Expenditures by Category					
Total Compensation	16,860	19,711	22,429	23,076	45,505
Other Operating Expenses	5,865	15,902	15,458	14,619	30,077
Local Assistance	7,058	13,113	8,001	9,539	17,540
Other Financial Transactions	2,193	3,928	3,000	3,000	6,000
Total	**31,976**	**52,654**	**48,888**	**50,234**	**99,122**
Expenditures by Activity					
Water	31,976	52,654	48,888	50,234	99,122
Total	**31,976**	**52,654**	**48,888**	**50,234**	**99,122**
Full-Time Equivalents (FTE)	**240.7**	**273.5**	**289.8**	**288.8**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$10,570	$10,570	$10,570	$10,570
Revenues	0	0	0	0
Net Fiscal Impact	$10,570	$10,570	$10,570	$10,570

Recommendation
The Governor recommends $21.140 million in increased appropriations for meeting the requirements of the federal Clean Water Act (CWA). Funds will be used to assess the quality of lakes, rivers and streams and develop Total Maximum Daily Load (TMDL) reports to identify measures for restoring water quality.

Background
The CWA requires the state to make reasonable progress in assessing its waters for impairments and developing plans for restoring waters to their intended use. This initiative will address a number issues crucial to maintaining water quality in Minnesota:

⇒ Increases the ability of the state to address key requirements of Section 303(d) of the Federal Clean Water Act;
⇒ Provides for the collection of critical water quality data for Minnesota's water resources that will inform policy and resource allocation decisions;
⇒ Directs significant new resources to the development of TMDL reports, which are plans for restoring waters to meeting state water quality standards;
⇒ Allows, by increasing the number of TMDL reports initiated, the accommodation of economic growth opportunities throughout the state; and
⇒ Addresses key policy goals of M.S. Chapter 114D (Minnesota Clean Water Legacy Act) with regard to water quality assessment and TMDL report development.

Relationship to Base Budget
This recommendation represents a significant increase in the resources directed towards water quality assessment and TMDL report development. In FY 2007, $5.03 million was appropriated to MPCA: $1.86 million was provided for water quality assessment and $3.17 million for TMDL development. This was a one-time appropriation.

This recommendation builds upon the one-time appropriation in FY 2007. The recommendation of $10.570 million includes continued funding at $1.86 million for water quality assessment and an increase from $3.17 million in FY 2007 to $8.710 million for TMDL report development.

Key Measures
Water quality assessment key measures/outcomes:

- Maintain 100 additional biological monitoring sites established in FY 2007;
- Provide pass-through grants to local units of government and volunteers for stream and lake monitoring;
- Assess an additional 60 lakes spanning 500 acres;
- Reassess 20 additional lakes over 500 acres that were assessed in FY 2007;
- Contract with the University of Minnesota for remote sensing of lakes and streams;
- Manage data for 1,000 additional sites to ensure transparency and usefulness of data.

This change item will result in continued progress toward the statewide assessment of Minnesota's lakes, rivers, and streams, which is a key goal of M.S. 114D, the Clean Water Legacy Act.

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TMDL report development key measures/outcomes:

- Initiate over 20 additional TMDL reports to restore over 40 impairments per year;
- Leverage resources and build local capacity by passing through approximately two-thirds of the TMDL report appropriation

This appropriation for TMDL reports would result in Minnesota making significant progress in developing the clean-up plans (TMDL reports) required by the Federal Clean Water Act for the 2,250 impairments on the 2006 Impaired Waters List.

Statutory Change: Not Applicable

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Program Description

The state's air quality is affected by pollution from transportation, energy production, manufacturing, and other activities. Clean and clear air, however, is essential for Minnesota's environmental, social, and economic well-being and is also required by state and federal law. The federal Clean Air Act (CAA) is the national environmental framework for these requirements, and it is the foundation of Minnesota's air quality program.

The CAA was amended in 1990, which dramatically expanded the air program in Minnesota and nationwide by allowing assessment of air emission fees, new permit and compliance requirements, and activities to control emissions of hazardous air pollutants. The Minnesota Pollution Control Agency (MPCA's) major activities in implementing the CAA include tracking emissions from point, area, and mobile sources of pollution, monitoring ambient air, issuing and tracking compliance with air emission permits. In addition, the CAA amendments created programs for smaller pollution sources and vehicles that contribute significantly to air problems.

Program at a Glance

- Implementing air quality point source permitting, compliance determination, and enforcement.
- Developing and implementing strategies to reduce air pollution from small sources of air pollution – including mobile sources.
- Monitoring air quality, tracking the Air Quality Index (AQI).
- Developing and implementing ozone and particulate matter reduction efforts.
- Developing and implementing strategies to reduce regional and global air pollutants such as mercury, regional haze, and emissions that contribute to climate change.
- Issuing permits to companies building new or expanding existing facilities.

Another pollutant of special concern in Minnesota is mercury. When released to the air, mercury falls onto surface waters and accumulates in fish tissue, resulting in fish consumption advisories for many Minnesota lakes and streams. The MPCA is implementing new initiatives to reduce mercury emissions. Newer Environmental Protection Agency (EPA) programs also include strategies for reducing regional haze and fine particulate matter.

Finally, the potential impacts of climate change on the Minnesota environment and economy are receiving more attention. The MPCA is evaluating strategies to mitigate climate change and will be talking with citizens, stakeholders and other state agencies regarding options. However, a key strategy already endorsed by the MPCA is expanding the development of renewable energy production: wind, ethanol, biomass, and other technologies.

The agency's strategic goals for this program are:

- Minnesota's outdoor air quality will meet or improve upon all environmental and human health-related federal and state ambient air quality standards;
- Minnesota's outdoor air quality will meet environmental and human health benchmarks for toxic and other air pollutants; and
- Minnesota will reduce its contribution to regional, national and global air pollution.

Population Served

This program serves all citizens and industrial operations of the state to facilitate protection of public health and wellbeing while allowing the operation of industries, utilities and transportation systems that contribute to the social and economic well being of the state.

As a result of their daily activities, citizens are responsible for large amounts of air pollution. In fact, about half of the air pollutants in Minnesota are emitted from mobile sources, which include automobiles, trucks, buses, recreational, and lawn equipment. More information about air quality in Minnesota is available on the MPCA Web site at http://www.pca.state.mn.us/air/index.html.

This program also regulates industrial sources of air pollution. At present, there are more than 4,000 facilities that need some type of air permit. Of those, 350 are large enough to need a federal air quality permit, a program that has been delegated to the MPCA for implementation.

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Proper implementation of air programs is important to public health and wellbeing, especially for sensitive groups of citizens (e.g., the very young and very old, people who suffer from asthma, heart disease). Because of how pollutants are drawn deeply into the lungs during exercise, even healthy, active kids and adults are susceptible to the harmful effects of air pollution.

Services Provided

Assess:

- monitor the air quality index and ensure compliance with ambient air quality standards using monitors in eight cities;
- monitor for toxic air pollutants at 20 locations;
- develop annual emission inventories for 2,300 companies that hold MPCA air quality permits; and
- conduct air emission risk analysis for about 20 point sources each year.

Restore/Improve:

- develop state implementation plans for maintaining and improving air quality;
- participate in multi-state regional air planning efforts to reduce regional haze, ozone, and fine particulate matter;
- reduce emissions of pollutants that contribute to regional haze, ozone, fine particulate matter, and toxic air pollutants; and
- reduce emissions that contribute to climate change.

Prevent/Protect:

- issue and maintain federal and state air quality permits;
- issue construction permits for new and expanding facilities;
- monitor compliance with air quality rules, regulations, and permits;
- take enforcement action as warranted;
- measure the daily air quality index for the Twin Cities, Duluth, Rochester, Marshall, Brainerd, Detroit Lakes, Ely, and St. Cloud and issue alerts when needed;
- implement the 2006 legislation to control utility mercury emissions;
- complete a Total Maximum Daily Load (TMDL) analysis and implement a plan for mercury reduction; and
- develop a method for capping or controlling new sources of mercury.

Historical Perspective

One of the major changes in the Clean Air Act was the creation of a national permit program (Title V) for large emitters of air pollutants. In Minnesota, operating permits for existing large facilities have been issued and require renewal on a five year cycle. The MPCA also has placed a high priority on construction permits for new and expanding facilities. The strong economy of the past few years has added to the number of companies looking to build or expand operations. Nine mining expansion projects are currently underway; three of which include state and federal Environmental Impact Statements reviews in addition to water, air and land permit activities. Nearly a dozen ethanol production projects are also underway. MPCA expects eight more permit requests to expand operations at 16 existing plants will be submitted in the next nine months. Ethanol projects require air modeling, air permitting, water permitting, environmental review, and coordination with the Department of Natural Resources (DNR) to ensure timely environmental decision-making. More complex rules and regulations and a more engaged public have increased the complexity and time needed to issue air permits. Collectively these factors put increased demand on agency permitting resources.

In 2001, for the first time since the 1970s, the MPCA issued air quality alerts in the Twin Cities due to levels of ozone (smog), and fine particulate matter pollution exceeding health advisory thresholds (see figure on page 3). Daily air quality readings are available on the MPCA web site at http://aqi.pca.state.mn.us/hourly/.

The air quality alerts have raised concerns that the Twin Cities area may fall out of compliance with federal air quality standards for ozone and/or fine particulate matter (see figure on page 3). If this happened, new regulations for industry would be required and additional regulatory action by the MPCA needed. To keep the

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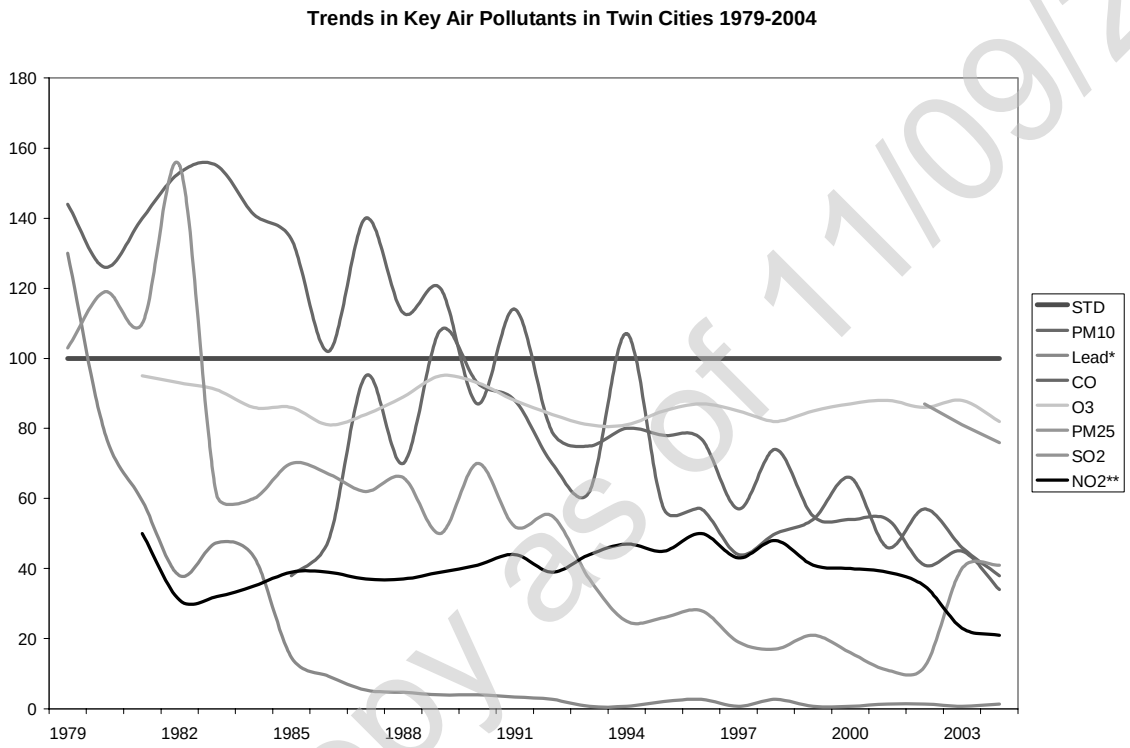
Twin Cities in compliance, the MPCA is actively working to reduce emissions that contribute to ozone formation and fine particulate matter.

Key Measures

The following graphs show trends in key air pollutants in the Twin Cities area and the number of days that air quality in Minnesota cities was good, moderate and unhealthy for sensitive groups in 2005.



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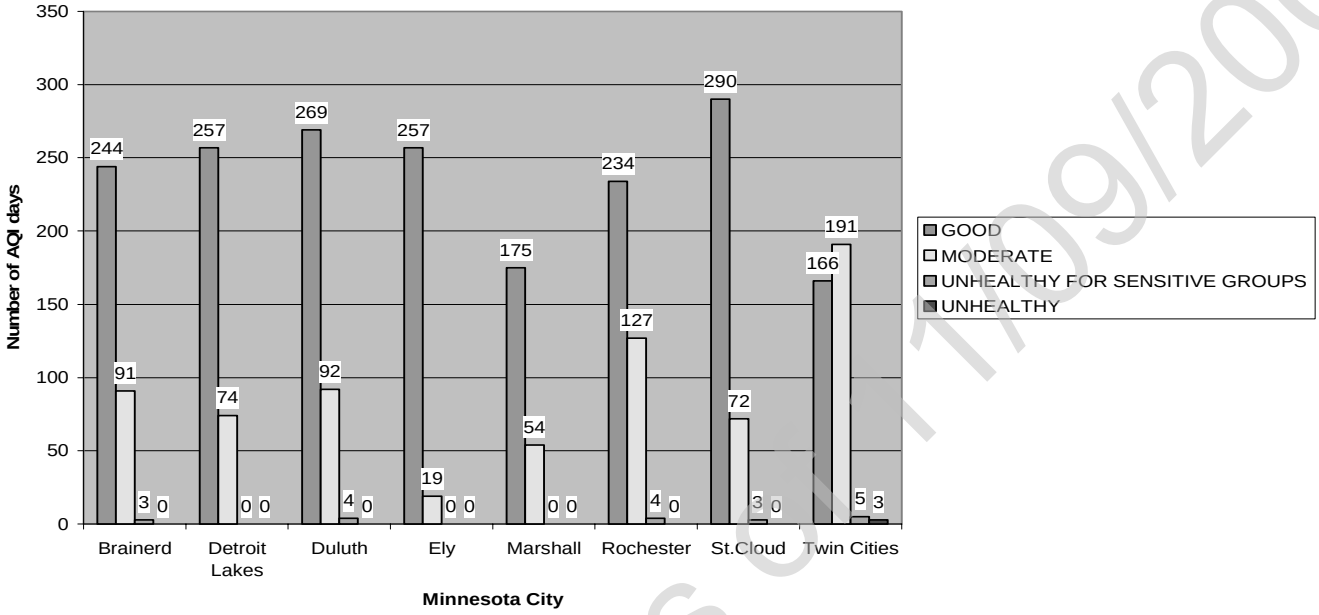
Minnesota 2005
AQI Days by AQI Category
and City
Figure 2



Program Funding

Authorized appropriations in FY 2006-07 for MPCA's Air program totaled $20.4 million with 95% from the Environmental Fund, 4% federal and 1% from other sources.

Contact

For more information, contact Myrna Halbach at (651) 296-8399 or toll-free at 1 (800) 657-3864.

The MPCA web site at http://www.pca.state.mn.us provides useful information about Minnesota's environment including regulatory news and updates, rules, public notices, MPCA initiatives, details about environmental quality and current "hot topics."

For information on how the MPCA measures some of its efforts to meet statewide goals, please visit http://www.departmentresults.state.mn.us.

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POLLUTION CONTROL AGENCY

Program: AIR

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Ethanol, Mining, Economic Development		0	1,140	1,140	2,280
Total	**0**	**0**	**1,140**	**1,140**	**2,280**
Environmental					
Current Appropriation	9,297	9,604	9,604	9,604	19,208
Subtotal - Forecast Base	9,297	9,604	9,604	9,604	19,208
Governor's Recommendations					
Maintain Service Levels in Air Programs		0	259	526	785
Total	**9,297**	**9,604**	**9,863**	**10,130**	**19,993**
Expenditures by Fund					
Direct Appropriations					
General	0	0	1,140	1,140	2,280
Environmental	8,319	10,567	9,863	10,130	19,993
Statutory Appropriations					
Misc Special Revenue	378	637	150	157	307
Federal	425	437	370	370	740
Environmental	159	400	200	200	400
Total	**9,281**	**12,041**	**11,723**	**11,997**	**23,720**
Expenditures by Category					
Total Compensation	6,402	7,887	8,631	9,142	17,773
Other Operating Expenses	2,677	3,756	2,894	2,657	5,551
Capital Outlay & Real Property	9	0	0	0	0
Local Assistance	50	0	0	0	0
Other Financial Transactions	143	398	198	198	396
Total	**9,281**	**12,041**	**11,723**	**11,997**	**23,720**
Expenditures by Activity					
Air	9,281	12,041	11,723	11,997	23,720
Total	**9,281**	**12,041**	**11,723**	**11,997**	**23,720**
Full-Time Equivalents (FTE)	**85.4**	**100.7**	**112.0**	**110.2**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
Environmental Fund				
Expenditures	$259	$526	$526	$526
Revenues	0	0	0	0
Net Fiscal Impact	$259	$526	$526	$526

Recommendation
The Governor recommends an increase of $259,000 in FY 2008 and $526,000 in FY 2009 from the Environmental Fund for the Air Program. The appropriation increase will enable the Minnesota Pollution Control Agency (MPCA) to maintain the level of service provided by the Air Program to industrial and municipal emission sources.

Background
The federal Clean Air Act (CAA) includes a requirement for states to charge air emission fees to cover the cost of issuing permits to facilities that emit air pollutants. The CAA also requires air permit fee increases to cover inflation and assure that adequate resources are available to meet the requirements of the Act. Salaries, benefits (particularly health coverage) and program support costs are all projected to increase in FY 2008-09.

State law provides for fee adjustments as program costs increase. Specifically, M.S. 116.07, subd. 4d (b) authorizes MPCA to increase air permit fees to cover the costs of the air quality program. Air permit fees are deposited to the Environmental Fund. These fee increases have already been incorporated in the Environmental Fund fund balance as part of the November Forecast process. MPCA must now request an increase to its annual appropriation from the Environmental Fund to utilize these fees and cover increased program costs. Without the authorized increase, funding for air permitting will remain at FY 2006-07 levels. With program costs increasing by an estimated 2.5% per fiscal year, appropriations capped at the FY 2006-07 level would force MPCA to reduce program service levels in FY 2008-09 to fit existing funding.

Relationship to Base Budget
The current level spending budget plan for FY 2008-09 includes $10.7 million each year for air permitting. Of this amount, $9.6 million is appropriated to the Air Program and $1.1 million is appropriated to the Multimedia Program. This funding request will increase authorized appropriations for air permitting by 2.5% the first year and 5.0% the second year and will increase the annual appropriation to the Air Program.

Key Measures
This change request will enable MPCA to continue its level of effort in its air quality regulatory, mobile source, and monitoring programs. The current level of service includes support for existing program staff; contracts for assistance to reduce the permitting backlog; and state rule updates to meet federal requirements. If the change request is not approved, MPCA will be forced to reduce the effort in these areas. A reduced effort increases the backlog in air permitting and compliance, reduces air quality monitoring, and extends MPCA's rulemaking efforts.

Statutory Change: Not applicable

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Program Description

The Minnesota Pollution Control Agency (MPCA's) Land Program protects the environment, public health, and quality of life of all citizens by cleaning up contaminated land sites, preventing future contamination, encouraging waste utilization through reuse, recycling and reduction, and protecting ground water. The land programs have been developed through federal mandates and state initiatives to address various waste management issues.

The MPCA's strategic plan establishes a vision for the agency's land programs:

- conserve resources and prevent land pollution that reduces options for desired land use;
- minimize the release of contaminants to or from the land; and
- restore contaminated land to productive use.

The Land Program also assists other MPCA programs in meeting their strategic goals:

- assess the condition of Minnesota's ground water systems;
- prevent or reduce degradation and depletion of ground water; and
- reduce Minnesota's contribution to regional air pollution.

Program at a Glance

- Permitting, compliance determination, and enforcement for solid waste, hazardous waste and large above-ground storage tank facilities
- Training and regulation for storage tank leak prevention
- Emergency response to pollutant spills
- Cleanup programs to address hazardous waste and petroleum product releases including:
  - ⇒ Superfund
  - ⇒ Voluntary Investigation and Cleanup (VIC)
  - ⇒ Petroleum Remediation (PRP)
- Closed Landfill Remediation and Management (CLP)
- Programs for using waste as a resource

The program's integrated system of activities is designed to ensure that hazardous materials, petroleum products, and solid wastes are managed properly throughout the life cycle of their use, transport, and disposal. The Land Program will continue to focus on prevention activities in the next biennium.

Population Served

Because this program serves to protect Minnesotans from harmful effects of improperly managed waste and contaminated land and ground water, it serves all citizens of the state. It specifically affects people that live in the vicinity of a contaminated site, a spill incident or a facility that stores petroleum products, hazardous materials, or manages solid waste.

This program also interacts with a large and diverse array of businesses and industries in Minnesota. The list below provides a snapshot of those relationships and interactions:

- owners of above or underground storage tank facilities including 1,500 – 2,000 active investigations or cleanups annually and closure of 14,000 sites by the end of FY 2006, 12,000 tank owners and more than 90 owners of large above ground storage tanks (with a storage volume over one million gallons) who are required to obtain a permit;
- hazardous waste-related businesses and industries including 9,000 hazardous waste handlers, 25 treatment, storage and disposal facilities, 250 large quantity generators, 400 small quantity generators, and 15,000 very small quantity generators;
- solid waste land disposal facilities including 38 permitted facilities owned by business and municipalities for mixed municipal/industrial waste; 102 demolition debris disposal facilities; 107 transfer stations and about 38 miscellaneous facilities that treat, store, or dispose of solid waste;
- citizens and businesses with 2,300 emergency spills reported annually;
- parties responsible for 97 active Superfund sites, with 132 sites already cleaned up;
- industries submitting 200 voluntary investigation and cleanup applications annually; and
- solid waste industries that currently recycle 40% of the state's garbage and burn 20% of it for energy. (Minnesota's recycling industries contribute an estimated $2.98 billion to the state's economy.)

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Services Provided

Assess:

⇒ Partners with metropolitan counties to license hazardous waste handlers and monitor hazardous wastes "cradle to grave" via a computerized system.

⇒ Coordinates with local government to prepare a biennial solid waste policy report that summarizes the current status of solid waste management in the state.

Prevent/Protect:

⇒ Distributes grant funds to counties to operate recycling and waste reduction programs and to manage programs for problem materials and household hazardous wastes.

⇒ Works in partnership with counties to reduce waste generation, improve the cost effectiveness of recycling, composting and recovery systems and build stronger regional waste management systems.

⇒ Conducts regulatory and training programs to prevent the release of petroleum, solid waste, and hazardous waste into Minnesota's soil, ground water and surface water.

⇒ Issues permits to and inspects solid waste, hazardous waste, and large above ground storage tank facilities to ensure compliance as necessary.

⇒ Oversees disposal of debris when natural disasters strike and prepares contingency plans for debris management (e.g. debris resulting from terrorist activities).

Restore/Improve:

⇒ Undertakes directly or oversees investigations and corrective actions by responsible parties at petroleum release sites and provides expedited assistance when requested. This action includes working with the state Petroleum Board on reimbursement issues.

⇒ Hires contractors to conduct site investigations and complete risk-based corrective actions at Superfund sites.

⇒ Assists developers in returning contaminated sites to productive use through its Voluntary Inspection and Cleanup Program.

⇒ Hires contractors to conduct cleanups at closed landfills (112) and recovers as much of the cleanup cost as possible from insurance policies held by the landfill owners.

Historical Perspective

In the past, thousands of locations across the state posed acute or potential risks to land and ground water due to spilling, dumping, or poor management of wastes and petroleum products. From the mid-1970s through the mid-1990s, Congress and the state legislature provided legal authority to the MPCA to ensure risks to the environment and citizens were eliminated or controlled. Now, due to the network of land program activities within the MPCA, risks from contaminant releases to the land have been greatly reduced or controlled, and an infrastructure exists to ensure they remain so.

On 8-8-2005 President Bush signed the Energy Policy Act of 2005 that significantly affects the petroleum underground storage tank program (UST). The UST provisions of the Energy Act focus on preventing petroleum releases through increased inspections, operator training, delivery prohibitions, and secondary containment technology. MPCA may need to change how it conducts its tank programs to meet the new federal mandates.

The hazardous waste program has fulfilled its original purpose of keeping waste generated by large handlers out of the environment. The challenge now is to maintain past gains working with large facilities while improving hazardous waste management by small generators.

The MPCA continues to make progress cleaning up contaminated sites through five remediation programs: Superfund, Voluntary Investigation and Cleanup program (VIC), Resource Recovery and Conservation Act Corrective Action Program, Closed Landfill Program (CLP), and Petroleum Remediation Program (PRP). More details about these programs are available on the MPCA web site at http://www.pca.state.mn.us/cleanup/index.html.

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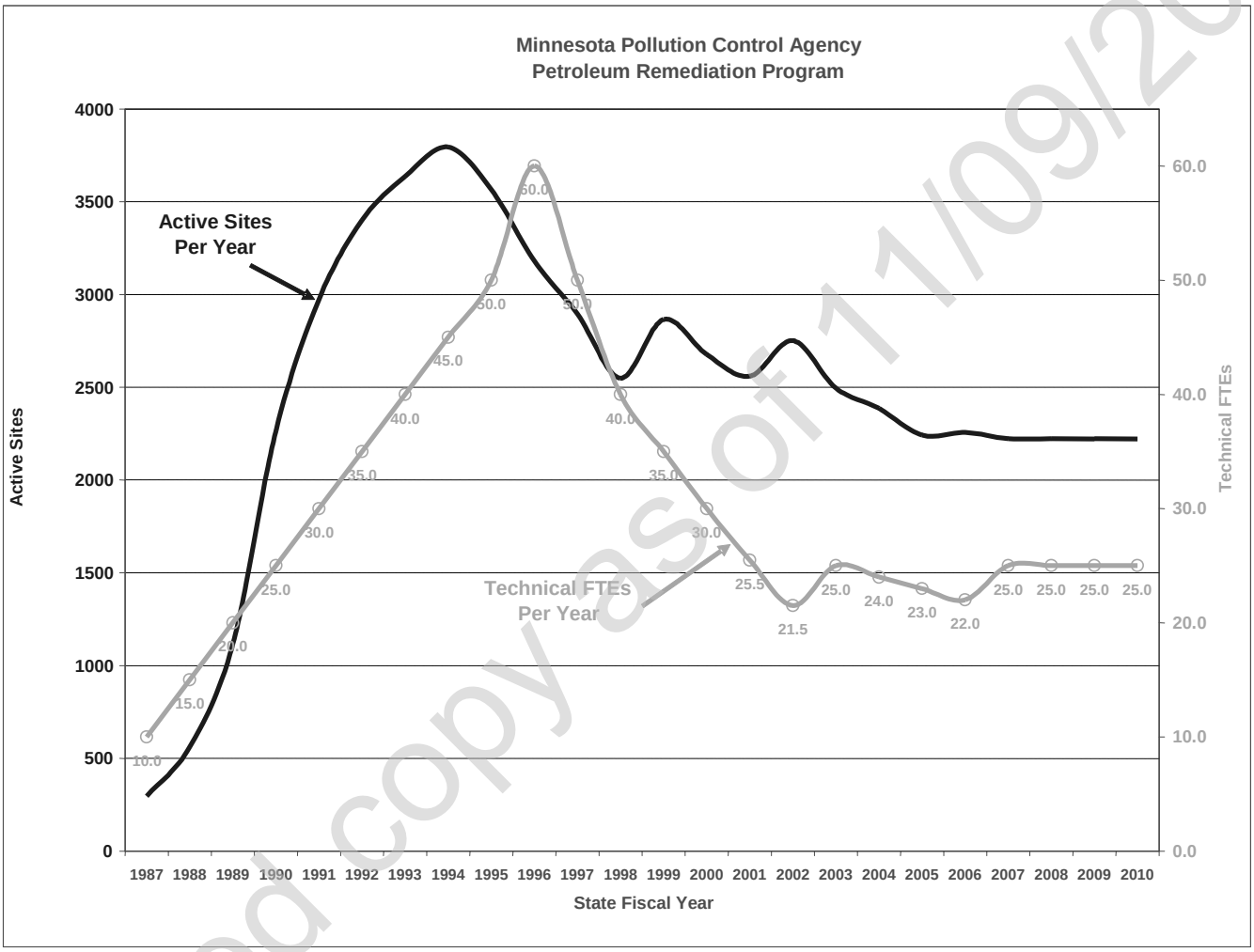
Key Measures

The following graph shows the progress made over the last 19 years in addressing PRP release sites and the projected workload through the year 2010. This graph also shows changes in staffing and "maintenance level" staffing proposed for the future.



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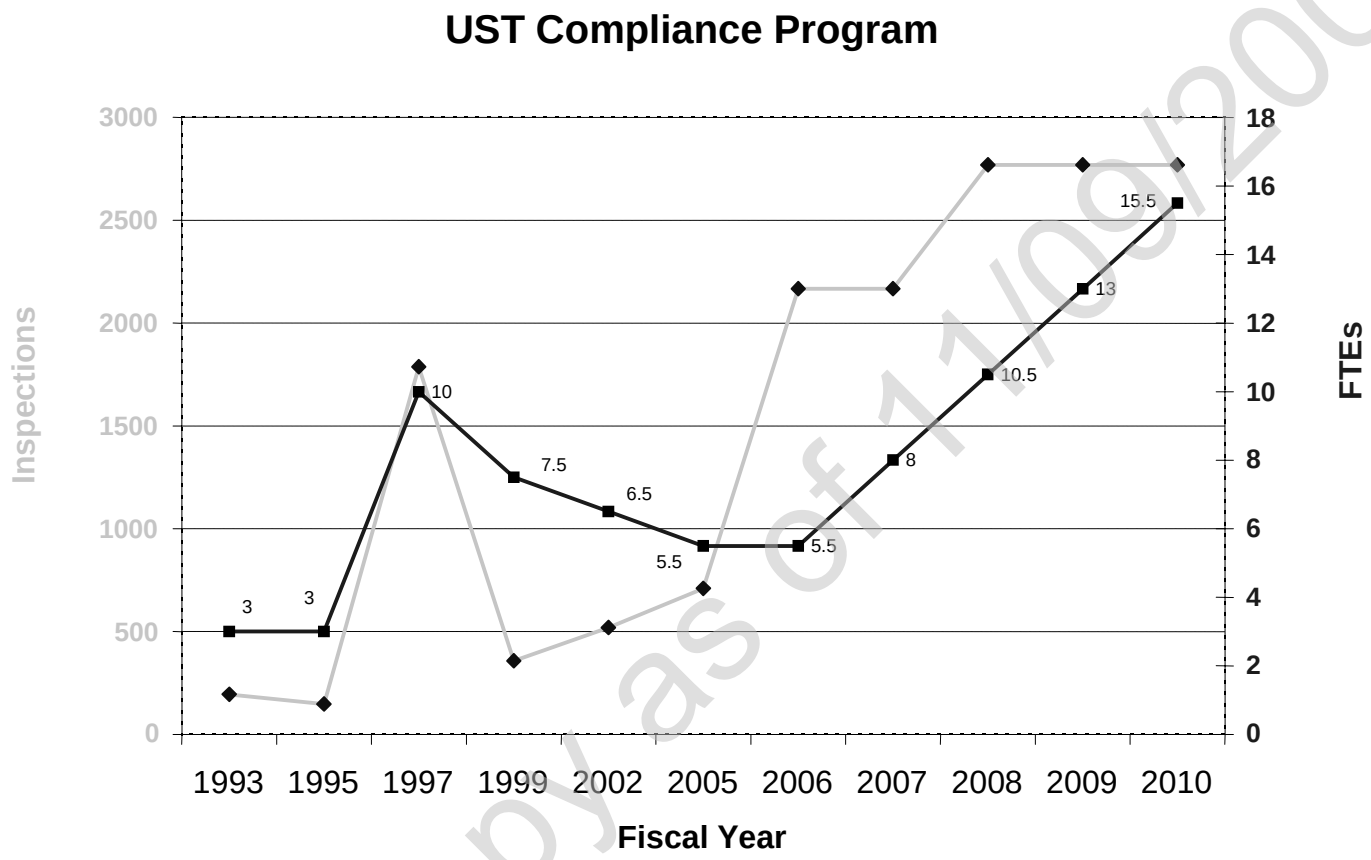
The graph below shows the progress of the UST inspecting storage tank sites in the state. This graph also shows the estimated number of future inspections required by the new federal energy bill and staffing associated with this mandate.



Program Funding

Authorized appropriations in FY 2006-07 for the Land Program totaled $76.0 million including funds from the Remediation Fund (72%), the Environmental Fund(19%), federal funds (8%) and other sources (1%)

Contact

For more information, contact Kathy Sather at (651) 296-6676 or toll-free at 1 (800) 657-3864.

The MPCA web site at http://www.pca.state.mn.us provides useful information about Minnesota's environment including regulatory news and updates, rules, public notices, agency initiatives, details about environmental quality, and current "hot topics."

For information on how this agency measures some of its efforts to meet statewide goals, please visit http://www.departmentresults.state.mn.us.

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POLLUTION CONTROL AGENCY

Program: LAND

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Environmental					
Current Appropriation	7,065	7,065	7,065	7,065	14,130
Subtotal - Forecast Base	7,065	7,065	7,065	7,065	14,130
Total	**7,065**	**7,065**	**7,065**	**7,065**	**14,130**
Remediation Fund					
Current Appropriation	13,404	11,404	11,404	11,404	22,808
Subtotal - Forecast Base	13,404	11,404	11,404	11,404	22,808
Governor's Recommendations					
Transfer to Health		0	52	52	104
Internal Reprogramming		0	(440)	(370)	(810)
Total	**13,404**	**11,404**	**11,016**	**11,086**	**22,102**
Expenditures by Fund					
Direct Appropriations					
Environmental	6,571	7,425	7,065	7,065	14,130
Remediation Fund	10,513	12,095	11,016	11,086	22,102
Statutory Appropriations					
Misc Special Revenue	621	568	415	415	830
Federal	2,822	3,395	3,319	2,753	6,072
Remediation Fund	32,075	36,406	23,150	26,850	50,000
Total	**52,602**	**59,889**	**44,965**	**48,169**	**93,134**
Expenditures by Category					
Total Compensation	13,581	14,921	14,489	14,697	29,186
Other Operating Expenses	37,283	44,151	29,607	32,603	62,210
Capital Outlay & Real Property	1,058	20	20	20	40
Local Assistance	680	597	597	597	1,194
Transfers	0	200	252	252	504
Total	**52,602**	**59,889**	**44,965**	**48,169**	**93,134**
Expenditures by Activity					
Land	52,602	59,889	44,965	48,169	93,134
Total	**52,602**	**59,889**	**44,965**	**48,169**	**93,134**
Full-Time Equivalents (FTE)	**181.2**	**184.0**	**180.0**	**179.6**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
Remediation Fund				
Expenditures	$52	$52	$52	$52
Revenues	0	0	0	0
Net Fiscal Impact	$52	$52	$52	$52

Recommendation
The Governor recommends $104,000 from the Remediation Fund to the Land Program for environmental health monitoring. The increased appropriation to Minnesota Pollution Control Agency (MPCA) will be transferred to the Minnesota Department of Health (MDH) to carry out monitoring activities. The current amount appropriated to MPCA for transfer to MDH for this activity is $200,000 per year. Increased costs have eroded the MDH's ability to provide full service to MPCA. This request seeks to regain the level of monitoring services provided by MDH.

Background
The Remediation Fund supports Superfund and Closed Landfill Program investigation, cleanup and maintenance efforts at dumps and landfills around the state. Since FY 2000 MPCA has entered into an agreement with MDH to conduct environmental health monitoring adjacent to landfill and dump sites. Specific work activities include human health risk assessments, risk communication, drinking water well advisories, data review, municipal and residential sampling and public information. Because of the fixed nature of this funding, increased costs and increased workload, the MDH can no longer maintain the level of service MPCA is seeking. MDH expects to monitor in each FY 2008 and FY 2009 at approximately 12-15 sites, similar to the level of activity planned in the current fiscal year. Also, staff has found its monitoring at perfluorochemical (PFC) sites involves greater community relations work and risk communication activity, beyond the typical level of communication effort associated with non-PFC sites. The MDH concurs that increasing the transfer to $252,000 from $200,000 will enable the MDH to provide full-level service to MPCA.

Relationship to Base Budget
This additional appropriation to MPCA for transfer to the MDH is considered a relatively small financial change. Although an increase of $52,000 represents about a 25% increase in the amount transferred to MDH; no support increases have occurred over the past six fiscal years.

Key Measures
Performance measures resulting from the increased funding will include providing full monitoring service for all dumps and landfills assigned to the MDH for environmental health monitoring and follow-up. In addition, MPCA and MDH will meet annually in August to determine the performance of the previous year's work, discuss future work activities and confirm whether MDH performance fulfills current MPCA needs.

Statutory Change: Not Applicable

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Program Description

Multimedia activities provide scientific and technical support to staff throughout the Minnesota Pollution Control Agency (MPCA) to assist them in meeting the goals outlined in the MPCA's strategic plan. Such support allows MPCA to provide assistance to protect natural resources, regulate pollution sources when necessary, and effectively clean up contaminated sites to restore beneficial uses. Multimedia program staff assess the impact of pollutants on all media — air, water, and land — rather than each media in isolation. The program collects data on environmental conditions and presents the data in a form that is useful to MPCA, policy makers, and the public.

Program at a Glance

- Policy evaluation and development
- Environmental review of proposed projects
- Training of the regulated community
- Assessing environmental impacts to support regulatory and cleanup project decisions including monitoring and oversight of discharge standards, effluent limits, air quality modeling risk review, ecological risk assessment, fish kill investigations, and others
- Mercury reduction strategies

Multimedia program staff evaluates the environmental risk of proposed projects and identifies pollution trends and emerging environmental issues. Program activities include maintaining authorization to run federal programs, enacting new rules, and seeking statutory changes.

Population Served

⇒ Area residents benefit from assessments of environmental impact (discharge standards, effluent limits, air quality modeling review, risk assessment, ecological risk assessment, fish kill investigations, and others).

⇒ Local citizens and decision-makers at all levels of government use the data collected at monitoring sites operated by the MPCA: 156 air quality monitors at 69 statewide locations monitor a variety of parameters including ozone, particulates, 57 volatile organics compounds, 16 metals, mercury deposition, regional haze, and others. Approximately 500 water monitoring sites aid in the assessment of 8% of the state's 92,000 miles of streams and 14% of the 13.1 million acres of surface waters.

⇒ Regulated parties receive training; Multimedia staff trained more than 3,600 people last year.

⇒ Industry receives assistance on pollution prevention and innovative projects.

⇒ Stakeholder groups are given the opportunity to express their opinions through customer research on new programs, budget development, process improvement, specific projects, and others.

Services Provided

Multimedia environmental activities include the following services:

Assess:

- analyze data on the condition of the environment, identify the stressors that impact the environment, and describe trends. This activity processes the data in a way of value to MPCA, policy makers and citizens. For example, a recently completed study describes the various sources of phosphorus in the state.
- conduct environmental assessments that help affected persons understand the potential impact of a proposed project
- complete environmental reviews that allow permittees, including local government, to initiate requested projects (75 environmental reviews were completed over the past two years)
- conduct public participation efforts aimed at learning the environmental values and views of citizens

Restore/Improve:

- develop intervention strategies to correct undesirable environmental conditions
- implement the mercury reduction initiative and other mercury control programs

Prevent/Protect:

- set standards in water, air, and land to assess and identify pollution, set priorities for treatment and cleanup actions, and establish discharge and emission limits. One approach in standards development is setting Total Maximum Daily Loads (TMDLs) for an impaired water body, an approach that identifies sources of pollutants and how much each source must reduce its contribution to a water body to meet water quality standards. A list of impaired water bodies was prepared based on monitoring data.

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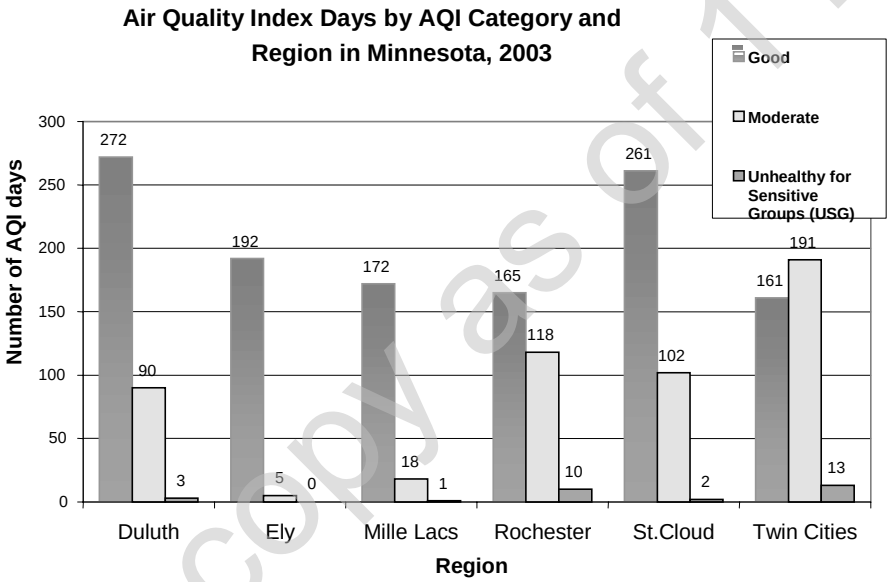
- conduct risk evaluations and provide technical support to regulatory activities
- provide data analysis, and develop reduction and prevention strategies that focus on preventing pollution
- develop administrative and technical rules to meet minimum federal program standards to maintain state authorization to run federal programs and to address environmental issues (five rules were completed over the past two years, and four obsolete rules were repealed)

Historical Perspective

The MPCA has made good progress in environmental protection since the 1960s and continues to maintain ongoing regulatory activities. Minnesotans now need to address the next generation of environmental challenges—everyday human activities, the cumulative effects of which present significant environmental problems. Addressing these issues requires new approaches to solving and preventing problems. Multimedia staff provides data and information to support environmental permitting and cleanup decisions as well as develop intervention, reduction, and prevention strategies.

Key Measures



Program Funding

Authorized appropriations in FY2006-07 for MPCA's Multimedia program totaled $26.4 million with 17% from the General Fund, 60% federal, 15% from the Environmental Fund and 8% from other sources.

Contact

For more information, contact Dave Benke, Assistant Division Director at (651) 215-0196 or toll-free at 1 (800) 657-3864.

The MPCA web site at http://www.pca.state.mn.us provides useful information about Minnesota's environment including regulatory news and updates, rules, public notices, MPCA initiatives, details about environmental quality and current "hot topics."

For information on how the MPCA measures its efforts to meet statewide goals, please visit http://www.departmentresults.state.mn.us.

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POLLUTION CONTROL AGENCY

Program: MULTIMEDIA

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Environment & Natural Resource					
Current Appropriation	300	300	300	300	600
Technical Adjustments					
One-time Appropriations			(300)	(300)	(600)
Subtotal - Forecast Base	300	300	0	0	0
Total	**300**	**300**	**0**	**0**	**0**
General					
Current Appropriation	2,264	2,264	2,264	2,264	4,528
Subtotal - Forecast Base	2,264	2,264	2,264	2,264	4,528
Governor's Recommendations					
Ethanol, Mining, Economic Development		0	825	825	1,650
Compensation Adjustment		0	24	56	80
Total	**2,264**	**2,264**	**3,113**	**3,145**	**6,258**
Environmental					
Current Appropriation	2,041	2,041	2,041	2,041	4,082
Subtotal - Forecast Base	2,041	2,041	2,041	2,041	4,082
Total	**2,041**	**2,041**	**2,041**	**2,041**	**4,082**
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	440	319	0	0	0
General	2,190	2,433	3,113	3,145	6,258
Environmental	1,864	2,218	2,041	2,041	4,082
Statutory Appropriations					
Misc Special Revenue	644	812	700	700	1,400
Federal	9,068	11,168	10,091	10,091	20,182
Total	**14,206**	**16,950**	**15,945**	**15,977**	**31,922**
Expenditures by Category					
Total Compensation	10,699	10,424	10,998	11,273	22,271
Other Operating Expenses	3,205	6,237	4,832	4,604	9,436
Capital Outlay & Real Property	32	0	0	0	0
Local Assistance	270	289	115	100	215
Total	**14,206**	**16,950**	**15,945**	**15,977**	**31,922**
Expenditures by Activity					
Multimedia	14,206	16,950	15,945	15,977	31,922
Total	**14,206**	**16,950**	**15,945**	**15,977**	**31,922**
Full-Time Equivalents (FTE)	**145.9**	**140.1**	**147.3**	**145.1**	

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Program Description

The Administrative Support program provides business services for Minnesota Pollution Control Agency (MPCA's) environmental program delivery from the St. Paul and regional offices. Administrative Support includes the Commissioner's Office, legislative relations, accounting and financial management, human resources and development, information systems management, communication, and business systems. Expenses for the MPCA Citizens' Board are also paid from within this program.

The activities under this program directly support the Excellence in Operations goals from the MPCA's strategic plan:

- provide a safe and healthy workplace for all employees, volunteers and visitors;
- manage agency operations as a system for efficiency and effectiveness; and
- achieve excellence through application of world class tools and best practices

Program at a Glance

- The MPCA Citizens' Board resolves certain controversial matters in the MPCA's regulatory work.
- The Commissioner's Office sets the strategic direction for the MPCA.
- Financial management, human resources, training and development, information management, communication, and business systems support all environmental programs of the MPCA.

Population Served

Administrative Support programs directly serve MPCA environmental programs by providing the underlying information and management systems necessary for the functioning of the agency. In addition to the internal customers, the work of Administrative Support directly serves Minnesota citizens. The MPCA Citizens' Board makes important environmental decisions that ultimately affect individuals, citizen and environmental groups, local governments, business, and industry. MPCA's information and communication services, including the web site, environmental publications, events and public involvement processes, provide environmental information directly to Minnesota citizens.

Services Provided

⇒ The Citizens' Board makes decisions on complex pollution problems. The Board also provides a venue for public participation in key environmental decisions.

⇒ The Commissioner's Office provides leadership and strategic direction for the MPCA to plan and carry out its work.

⇒ Communication provides public information, media relations, community involvement, coordination of public outreach events, and publication management.

⇒ The Customer Assistance Center answers questions from regulated parties and the public.

⇒ Information Systems maintains large volumes of data and makes it accessible to agency staff and, through the web site, to the public.

⇒ MPCA's cost-effective and environmentally sound business practices include purchasing alternative technology vehicles, using recycled office supplies, and participating in a building-wide recycling effort.

⇒ Fiscal Services ensures that funds are spent for authorized purposes and financial resources are managed according to general government accounting practices

⇒ Human Resources and Organizational Development support human resource management issues and individual and group development needs for MPCA employees.

Historical Perspective

Effective July 2005, the legislature approved combining the existing staff, authorities and expertise of the MPCA and the Office of Environmental Assistance (OEA). From an administrative perspective combining the OEA and the MPCA has given the public improved access to combined databases and web sites and offered the administrative efficiencies inherent in combining separate computer, financial, and business systems. More importantly, combining the OEA and the MPCA has united and focused the priorities of the two organizations.

In order to provide flexibility in operating environmental programs, the 2003 legislature authorized the consolidation of multiple accounts into two funds. The majority of the fees the MPCA collects are deposited into

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the two funds -- the Environmental Fund and the Remediation Fund -- allowing the MPCA to use the funds on water, air, and land programs. This flexibility along with a federal grant consolidation has allowed the MPCA to address needs in priority program areas.

Key Measures

The MPCA manages its fiscal resources and business systems:

⇒ In the first two quarters of 2006, the MPCA met its state and federal financial deadlines 100% of the time, and 99% of payments were made on time and within statutory requirements.

⇒ In the first two quarters of 2006, 80% of new vehicles leased or purchased by the agency use alternative fuels, exceeding the federal standard.

The MPCA provides environmental information to citizens:

⇒ In the first two quarters of 2006, the agency reached 25,000 citizens through its quarterly *Minnesota Environment* magazine, nearly 4,300 citizens through a variety of subject-specific electronic newsletters, and potentially reached millions of Minnesotans with its proactive news releases on environmental topics.

⇒ The MPCA's new state fair building expects to reach more than 250,000 visitors with key environmental messages in 2006.

⇒ The Customer Assistance Center responded to more than 8,000 inquiries in 2005 with 9% of the responses made within 24 hours.

The MPCA provides secure information systems and a usable website.

⇒ In 2005, there were more than six million pages viewed by users on the MPCA web sites.

The MPCA manages its human resources.

⇒ In the first two quarters of 2006, the MPCA had a new-hire turnover rate of less than 10% and approximately 200 hours lost to injuries.

Program Funding

Authorized appropriations for Administrative Support in FY 2006-07 totaled $24.9 million with 13% from the General Fund, 86% from the Special Revenue Fund, and 1% from other sources.

Contact

For more information, contact Rodney Massey, Operational Support Director at (651) 297-8340 or toll-free at 1 (800) 657-3864.

The MPCA web site at http://www.pca.state.mn.us provides useful information about the Minnesota's environment including regulatory news and updates, rules, public notices, MPCA initiatives, details about environmental quality and current "hot topics."

For information on how the MPCA measures some of its efforts to meet statewide goals, please visit http://www.departmentresults.state.mn.us.

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POLLUTION CONTROL AGENCY

Program: ADMINISTRATIVE SUPPORT

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	1,583	1,583	1,583	1,583	3,166
Subtotal - Forecast Base	1,583	1,583	1,583	1,583	3,166
Governor's Recommendations					
Compensation Adjustment		0	35	64	99
Total	**1,583**	**1,583**	**1,618**	**1,647**	**3,265**
Expenditures by Fund					
Direct Appropriations					
General	1,320	1,704	1,618	1,647	3,265
Statutory Appropriations					
State Government Spec Revenue	1	1	1	1	2
Misc Special Revenue	11,671	14,212	12,078	12,184	24,262
Environmental	41	35	35	35	70
Remediation Fund	128	104	104	104	208
Total	**13,161**	**16,056**	**13,836**	**13,971**	**27,807**
Expenditures by Category					
Total Compensation	7,424	8,235	8,017	8,205	16,222
Other Operating Expenses	5,734	7,821	5,819	5,766	11,585
Local Assistance	3	0	0	0	0
Total	**13,161**	**16,056**	**13,836**	**13,971**	**27,807**
Expenditures by Activity					
Administrative Support	13,161	16,056	13,836	13,971	27,807
Total	**13,161**	**16,056**	**13,836**	**13,971**	**27,807**
Full-Time Equivalents (FTE)	**93.9**	**103.1**	**99.7**	**98.3**	

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Program Description

The Environmental Assistance Program provides pollution prevention and scientific and technical support to evaluate the environmental risk of proposed projects and identify pollution trends and emerging environmental issues. Staff enters into partnerships with businesses, communities and other public and private interests. These partnerships include in-depth technical expertise and financial incentives for the implementation of activities, system ideas, approaches, and technologies to conserve resources, prevent pollution and protect the environment.

Environmental Assistance activities focus on five main areas: environmentally sound business development; sustainable community development; waste as a resource; clean energy; and scientific, educational and technical support to MPCA staff and direct customers. This program provides resources throughout MPCA's air, land, and water programs to help them meet the goals outlined in the agency's strategic plan. Such support allows MPCA to provide assistance to protect natural resources, prevent, and regulate pollution sources and effectively clean up contaminated sites for beneficial uses.

Program at a Glance

- Demonstrate the technology of the future to Minnesota fairgoers at the new state fair "Eco-Experience," an indoor green space exhibit with rain gardens, an eco-home, and displays on renewable energy, new fuels and vehicles, and organic farming,
- Protect the natural resources of the Brainerd lakes area through the "Clean Lakes Partnership"
- Promote the use of renewable fuels, solar and wind projects to reduce air pollution, and greenhouse gas emissions
- Assess environmental impacts to inform regulatory and cleanup project decisions
- Provide grants and loans to promote environmentally innovative projects

Population Served

⇒ Waste and pollution prevention and toxicity reduction activities benefit all Minnesota citizens.

⇒ Environmental Assistance staff works in direct partnership with businesses, institutions, other units of governments, schools, community organizations, and individuals.

⇒ Local citizens and decision-makers at all levels of government use the use the assistance and materials provided by MPCA.

⇒ Parties regulated by MPCA receive training in state and federal requirements that enables them to do their part in protecting and improving the environment.

Services Provided

Prevention and Assistance activities include the following services:

Environmental Business Development. The most effective means to protect our air, water, land, and long-term economic health is to avoid pollution by using manufacturing processes and products that are the least harmful to the environment. Environmental Assistance staff helps small businesses prevent pollution and comply with environmental requirements.

⇒ Through the Minnesota Technical Assistance Program (MnTAP), operating since 1984, MPCA works with industries to adopt pollution prevention and conservation practices that reduce costs while also protecting the environment. In 2004-2005 site visits and student interns helped Minnesota companies save nearly $3 million in operating costs, conserve over 40 million gallons of water, and reduce 35,000 tons of waste.

⇒ MPCA prepares and submits a biennial progress report to the legislature evaluating progress and opportunities in pollution prevention. Toxic Release Inventory data collected from Minnesota businesses indicates progress in many manufacturing sectors.

⇒ Program staff provides waste reduction services, ensuring Minnesota businesses understand the economic benefits they can achieve through waste reduction.

Environmental Community Development. Environmental Assistance works with local communities to help their citizens understand the impact of daily actions and behaviors on the environment:

⇒ A new state fair exhibit allows Minnesotans to experience the latest environmentally-friendly products and technologies, including the latest in composting, clean energy, storm water management, and other innovations.

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- ⇒ Program staff works with communities in the Duluth area to design and build an ecologically appropriate industrial development. Other key activities include green buildings, cleaner fuels and vehicles, and helping Minnesotans through "Living Green 365."
- ⇒ Program staff educates Minnesotans through skill-building workshops, partnerships, communication and outreach efforts, and by providing financial and educational resources.
- ⇒ The program implements the *GreenPrint for Minnesota: State Plan for Environmental Education (Second Edition),* which offers guidance to individuals, organizations, and agencies that deliver or support environmental education (EE) in Minnesota.
- ⇒ MPCA reaches Minnesotans through its up-to-date and informative web sites. MPCA's web site (http://www.pca.state.mn.us) offers resources for learning more about pollution prevention, reuse, recycling, responsible waste management, and sustainable practices. The NextStep web site (http://www.nextstep.state.mn.us) offers resources for finding and sharing information on sustainability.

Waste as a Resource. Environmental Assistance implements state policy regarding the treatment of waste as a resource.

- ⇒ Treating waste as a resource reduces pollution, saves money, and creates jobs. Shifting waste management practices toward those that better manage waste, such as waste reduction, reuse, recycling, composting, or energy recovery reduces pollution, including greenhouse gases. Reducing and eliminating the generation of waste saves money by conserving raw materials and using resources more efficiently in the production.
- ⇒ Minnesota recycles over 40% of the state's garbage, and burns over 20% for energy. Recycling industries contribute an estimated $2.98 billion to the state's economy, and support nearly 9,000 direct and 20,000 indirect jobs. If the additional 1.1 million tons of material available for recovery were recycled, this would save 25 trillion BTUs, enough to power 238,000 homes. Discarded materials have a current value of $167 million.

Clean Energy. In collaboration with the Department of Commerce and other partners, MPCA promotes the development of clean energy, energy efficiency, and the reduction in greenhouse gas emissions. MPCA's green power campaign encourages Minnesotans to buy wind power from their utilities.

- ⇒ MPCA provides incentives to support wind and solar power and has installed gas-to-energy systems at several closed state-owned landfills to mitigate the impacts of gas generated at those sites. MPCA supports the use of E85 and other biofuels to reduce dependence on fossil fuels and benefit local businesses.

Agency-wide support. Program staff uses their partnership and education skills and technical and financial resources to assist MPCA staff working in all air, land, and water programs. This level of integrated support enables MPCA to effectively protect natural resources, prevent and regulate pollution sources, and clean up contaminated sites for a return to beneficial use.

Historical Perspective

The 2005 legislature joined the Office of Environmental Assistance (OEA) and the MPCA into a new agency. The new MPCA is integrating the array of tools used by the two former agencies to address current environmental problems. Tools are being applied in the development of total maximum daily load studies (TMDLs) and stormwater management plans to promote low impact development ideas and best management practices for local governments and property owners. The newly created Resource Center offers a wealth of hands-on resources, including personal assistance, videos, fact sheets, curricula, and CD-ROMs. The Resource Center serves as a resource to businesses, citizen and youth groups, families, governments and nonprofit organizations, students, teachers and nonformal educators, and religious groups.

As Minnesotans address the next generation of environmental challenges and problems having a full slate of tools to choose from will be critical.

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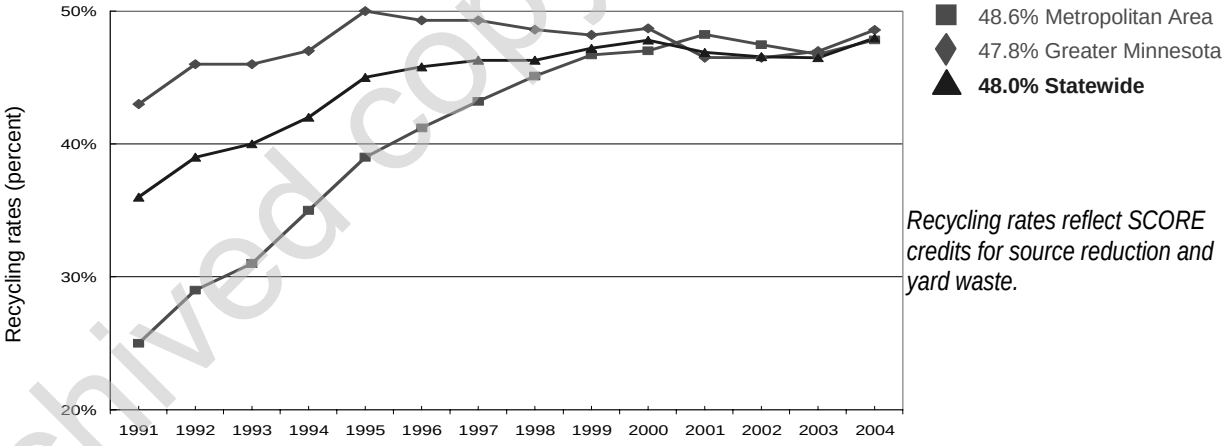
Key Measures

The following table compares Minnesota's recycling rate to other states across the country and the midwest.

BioCycle's 2004 Recycling Rates	
Oregon	45.8%
Minnesota	43.2%
New York	43.0%
Tennessee	42.2%
Washington	40.5%
California	39.6%
Iowa	39.6%
Missouri	38.9%
Illinois	37.7%
New Jersey	35.9%
source: "The State of Garbage in America," *BioCycle*	

BioCycle's 2004 Midwest	
Minnesota	45.6%
Iowa	39.6%
Wisconsin	32.4%
North Dakota	18.0%
South Dakota	3.0%
source: "The State of Garbage in America," *BioCycle*	

Minnesota's recycling progress



Recycling rates reflect SCORE credits for source reduction and yard waste.

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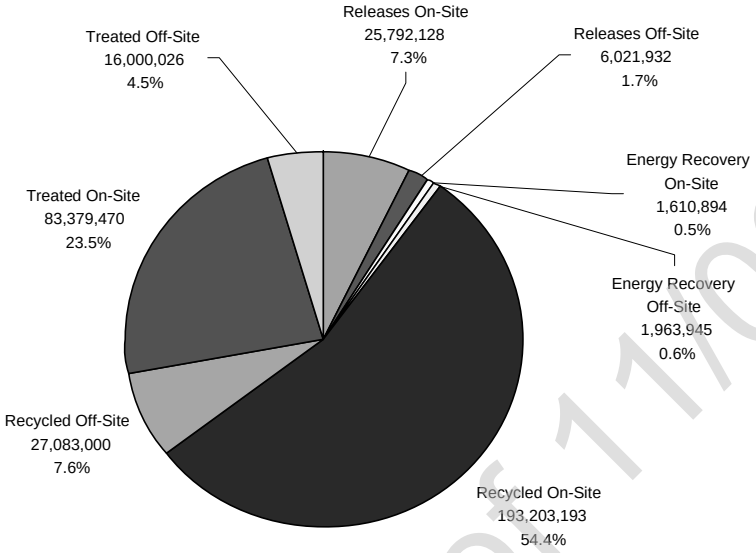
Managing Toxic Chemicals in Minnesota



Program Funding

Authorized appropriations in FY 2006-07 for the Environmental Assistance Program totaled $43.9 million from the Environmental Fund.

Contact

For more information, contact Dave Benke, Assistant Division Director at (651) 215-0196 or toll-free at 1 (800) 657-3864.

The MPCA web site at http://www.pca.state.mn.us provides useful information about Minnesota's environment. The types of information available through the site include regulatory news and updates, rules, public notices, agency initiatives, details about environmental quality, and current "hot topics."

For information on how the MPCA measures some of its efforts to meet statewide goals, please visit http://www.departmentresults.state.mn.us.

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POLLUTION CONTROL AGENCY

Program: ENVIRONMENTAL ASSISTANCE

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Environmental					
Current Appropriation	19,442	19,442	19,442	19,442	38,884
Subtotal - Forecast Base	19,442	19,442	19,442	19,442	38,884
Governor's Recommendations					
Green Fleets, Green Fuels, Green Energy		0	1,500	1,500	3,000
County SCORE Grants		0	1,500	1,500	3,000
Total	**19,442**	**19,442**	**22,442**	**22,442**	**44,884**
Expenditures by Fund					
Direct Appropriations					
General	1	0	0	0	0
Environmental	19,041	19,864	22,442	22,442	44,884
Statutory Appropriations					
Misc Special Revenue	116	156	79	79	158
Federal	17	13	0	0	0
Environmental	771	2,072	2,244	2,244	4,488
Miscellaneous Agency	78	0	0	0	0
Gift	2	22	11	11	22
Total	**20,026**	**22,127**	**24,776**	**24,776**	**49,552**
Expenditures by Category					
Total Compensation	4,182	3,903	3,895	3,943	7,838
Other Operating Expenses	943	2,667	2,548	2,513	5,061
Local Assistance	14,801	15,360	18,155	18,142	36,297
Other Financial Transactions	100	197	178	178	356
Total	**20,026**	**22,127**	**24,776**	**24,776**	**49,552**
Expenditures by Activity					
Environmental Assistance	20,026	22,127	24,776	24,776	49,552
Total	**20,026**	**22,127**	**24,776**	**24,776**	**49,552**
Full-Time Equivalents (FTE)	**59.2**	**52.6**	**51.9**	**51.3**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
Environmental Fund				
Expenditures	$1,500	$1,500	$0	$0
Revenues	0	0	0	0
Net Fiscal Impact	$1,500	$1,500	$0	$0

Recommendation

The Governor recommends increased appropriations to promote the use of alternative fuels in vehicles; reduce air pollutant emissions and greenhouse gases; improve the efficiency of the state's transportation fleets; and accelerate the transition to cleaner energy sources. This request is a one-time appropriation of $3 million from the Environmental Fund to the Environmental Assistance Program. The requested dollars will leverage additional funding from external sources and help the state make the transition to more dependable, secure, local and cleaner energy sources. This change will also benefit the state's economy by keeping more energy dollars in the state and promoting locally based transportation, energy, and clean fuel business development.

Background

The initiative will fund projects in three categories: Green Fleets, Green Fuels, and Green Energy. The request is for $3 million from the Environmental Fund for FY 2008-09 only, although this effort could lay the groundwork for projects with funding needs that span several funding cycles. This initiative will be carried out largely through competitive grants and loans and technical assistance. Funding for this request also includes 1 FTE in the agency for increased grant management work.

MPCA intends to allocate the majority of the funds requested in FY 2008-09 to the Green Fleet diesel emission reduction project. The "infrastructure" is already in place for this effort, and this project can be designed to leverage additional federal and private funds. The following projects are examples of activities in the three categories that could be funded under this initiative. Other projects can also be designed to leverage additional outside funding to supplement the state's investment.

Green Fleet Actions. Significantly expand assistance to Project Green Fleet, which helps school districts and other school bus operators reduce diesel emissions by installing pollution-control equipment on school buses, reducing fleet idling, and expanding the use of renewable fuels such as biodiesel and E85. Retrofits can reduce tailpipe emissions of certain pollutants by 40 to 90% and dramatically reduce pollution levels inside school buses. This is a short-term need; new school buses have emission controls that meet new federal standards effective in 2007. Funding from this request will retrofit at least 500 more buses, benefiting over 30,000 students. Bus retrofits will permanently reduce CO by 5,190 lbs, PM2.5 by 2,197 lbs, and VOC by 4,570 lbs. In addition, funding this project can leverage significant funding from outside private and federal sources. For example, MPCA's earlier investment of $124,000 on Project Green Fleet leveraged $500,000 of private investment and grants of $200,000 from U.S. EPA. More information on Project Green Fleet can be found at: http://www.projectgreenfleet.org/.

MPCA will also use additional funding to expand the Small Business Environmental Improvement Loan Program. These loans are available to purchase fuel-saving technologies including idle reduction devices, single-wide tires, and trailer aerodynamics and emission control devices.

Green Fuels. MPCA has worked to expand the availability and use of alternative fuels. Executive Order 04-10 requires state fleets to reduce gasoline use by 25% by 2010. Priority work includes expanding the use of green fuels, including E85 and biodiesel. Funds will be dispensed as grants to increase the number of E85 vehicles in public and private fleets, increase the use of biodiesel, and develop an environmentally and economically viable cellulose-based ethanol alternative. MPCA also is expanding the installation of gas-to-energy systems at landfills to capture the wasted energy and prevent the release of methane, which has four times the heat-trapping potential of carbon dioxide. Thirteen closed and 11 open landfills would support gas-to-energy technologies that could generate an additional 26 MW electrical power.

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Green Energy/Climate Change. Of the 65 million megawatt-hours of electricity consumed in the state, only 4% comes from renewable sources. Carbon dioxide emissions, a primary contributor to global warming, have increased by 53% since 1985 mainly from energy production and use. The Governor has announced a goal of producing 25% of our energy from renewable sources by 2025; the legislature also cited a renewable energy objective in M.S. 216B.1691. MPCA has strategic goals of increasing renewable energy and reducing greenhouse gas intensity. This budget request will provide resources to support this work and position state agencies to demonstrate the efficiency and effectiveness of these approaches.

MPCA's priorities for advancing the production of renewable energy and addressing climate change include technical support for identifying the most promising technologies for reaching the "25% by 2025" goal and promoting renewable energy and energy conservation projects. MPCA will also focus on increasing demand for green power. To date, MPCA's green power campaign can report over 3,000 new residential customers that have either pledged or signed up to buy green power. The campaign can claim the annual purchase of over four million KW hours of new green power, enough to build the equivalent of two new, utility-scale wind turbines. Generating this amount of green power will prevent emissions of 3,732 tons of carbon dioxide, 22,455 pounds of sulfur dioxide, 16,165 pounds of nitrogen oxides, and 81grams of mercury. MPCA also will provide technical and financial assistance to state and local entities to complete greenhouse gas inventories, and identify and implement renewable energy and energy conservation actions in our communities.

Relationship to Base Budget

This request will give the agency the additional financial and technical assistance to advance the activities just discussed. In FY 2006-07, MPCA allocated $238,000 for competitive environmental grants and $167,000 for small business loans. Additional funding will enable MPCA to leverage public and private funds for clean transportation, fuels and energy. MPCA plans to use the new funding to increase the retrofitting of school buses to reduce diesel emissions; provide assistance to develop alternative fuels, particularly for ethanol from bio-based fuels produced in Minnesota; and provide financial and technical assistance to advance clean energy and energy efficiency.

Key Measures

Measures of effectiveness include:

Green Fleets

- Number of school buses retrofitted
- Gallons of renewable fuel used in public vehicle fleets
- Number of energy efficient units installed in small business trucks

Green Fuels

- Increase public vehicles using E85 and biodiesel
- Increase energy (kW) produced from gas captured in public landfills

Green Energy/Climate Change

- Increase number of customers that purchase green power
- Quantify savings and decreased emissions resulting from energy conservation projects
- Increase kW generated from installed solar panels

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
Environmental Fund				
Expenditures	$1,500	$1,500	$1,500	$1,500
Revenues	0	0	0	0
Net Fiscal Impact	$1,500	$1,500	$1,500	$1,500

Recommendation

The Governor recommends $3 million from the Environmental Fund over the FY 2008-2009 biennium for the Environmental Assistance Program. The increase will enable the Minnesota Pollution Control Agency (MPCA) to restore SCORE grants to $14.0 million, the level granted in FY 2002. The additional funding demonstrates the agency's continued support of Minnesota's recycling system; helps restore lost program elements; and continues the positive economic and environmental benefits associated with the recycling system.

Background

SCORE (Governor's **S**elect **C**ommittee **o**n **R**ecycling and the **E**nvironment) is a pass-through grant program established by the legislature in 1989 (M.S. 115A.557). This program established statewide partnerships to assure the recycling of Minnesota's waste and offer more opportunities for state residents to recycle. All 87 counties and the Western Lake Superior Sanitary District currently apply for and receive annual SCORE grants. Funding for SCORE grants has been authorized at $12.5 million annually between FY 2003 and FY 2007.

The partnership has more than doubled the amount of materials recycled in Minnesota. Currently, 41% of all mixed municipal solid waste is recycled. The program also has expanded opportunities for statewide recycling:

- Over 2.4 million tons of materials are recycled each year;
- Over 9,000 state manufacturing jobs linked to programs supported by SCORE funding have been identified, with more than half of these jobs in greater Minnesota;
- The program supports manufacturing jobs that generate $64 million in state tax revenue;
- Energy savings resulting from recycling programs save enough energy to power 384,000 homes, more homes than are in Ramsey County.

However, significant opportunities still exist in the recycling system:

- Manufacturers are demanding more recycled material than county programs currently produce; and
- An estimated 1 million tons of recyclables remained in the waste stream in 2004.

County governments, who by statute are responsible for providing citizens with the opportunity to recycle, are unable to respond to these challenges. Rural recycling programs, in particular, face growing challenges to collect materials and deliver them to markets. Some counties are eliminating many or all of their rural recycling drop-off sheds. Reductions in drop-off locations significantly reduce the volume of materials collected for local markets and discourage residents from recycling.

Since inception of the program each county is required to match state-authorized funding with a local contribution of at least 25%. Current authorized state spending on this grant program is $12.5 million, spending by county governments on SCORE-related activities is an estimated $38 million annually. Most counties are committing resources to local recycling programs far above the 25% matching contribution threshold.

By restoring the SCORE grants the state will renew its commitment to the recycling system and offer counties the ability to restore programs. The additional funding also enhances the ability to remove materials from the disposal system and capture the energy and economic benefits for the state.

More information on the SCORE program can be found at:
http://www.moea.state.mn.us/lc/score.cfm

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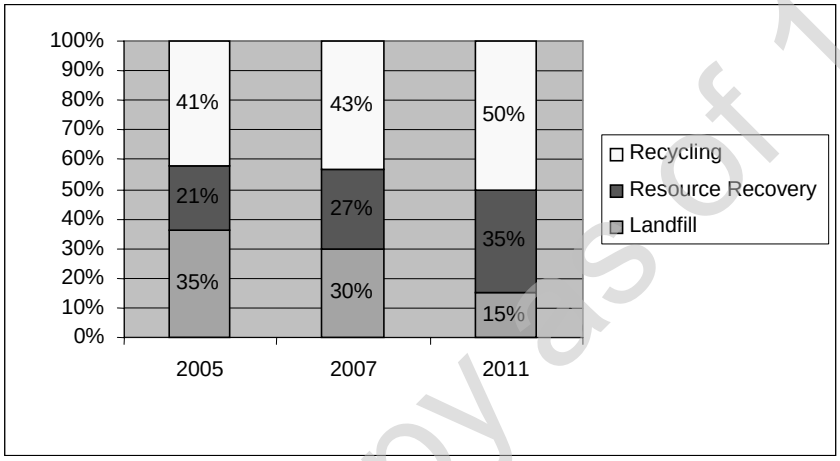
More information on Minnesota recycling markets can be found at:
http://www.moea.state.mn.us/market/index.cfm

Relationship to Base Budget

This request restores the appropriation to 2002 levels and represents a 12% increase for SCORE grants. The additional funding acknowledges the pressures of increased operating costs experienced by county recycling programs.

Key Measures

- MPCA annually compiles data reported by counties on the amount of materials recycled.
- MPCA has a strategic plan objective related to an integrated waste management system. MPCA has set a recycling goal of 43% by 2007, increasing to 50% by 2011. This strategic plan goal also includes increases in resource recovery and reductions in landfill disposals.
- An additional 1.3 million tons of materials would be recycled by 2011 under this strategic plan objective.
- Economic development surrounding the recycling system will be periodically reported by the agency.



Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$3,000	$3,000	$0	$0
Revenues	0	0	0	0
Net Fiscal Impact	$3,000	$3,000	$0	$0

Recommendation

The Governor recommends a one-tine appropriation of $6 million from the General Fund in the FY 2008-09 biennium to support increased demands on MPCA's regulatory programs from economic growth experienced in the ethanol, mining, power, and other industries. The request will increase the annual appropriation to the Water Program by $1.035 million; the Air Program by $1.140 and the Multimedia Program by $0.825 million. MPCA will work with key stakeholders, particularly the business community, to identify and implement a long-term funding solution so the agency can more readily and rapidly respond to areas of significant economic growth.

Background

Minnesota is experiencing economic development on many levels. The expansion of specific industries and municipal growth has stressed MPCA's ability to complete timely environmental review and permitting actions for construction or expansion projects. MPCA has reassigned staff from assessment, environmental review and permitting activities and directed them to work on ethanol and mining construction projects. Existing issues and problems will languish or worsen without adequate staff attention to ongoing needs for permitting and compliance activities.

Recent court decisions have impacted MPCA's current and future regulatory work. These court decisions have become increasingly complex given the interrelated nature of environmental review and the permitting for new or increased discharges into impaired waters.

The ethanol and mining sectors are experiencing unprecedented levels of development. MPCA is involved in 20 separate projects in various stages of development from siting to permit updates. Future ethanol projects will incorporate new fermentation and thermal-chemical processes generating a wider range of alcohols for fuel use. Biodiesel is expanding in Minnesota, with production processes that create an unknown need for review of air, water and waste issues. These emerging industries may adversely impact municipal wastewater facilities and may produce higher volumes of hazardous waste. The metallic mining sector also is experiencing renewed development in northeast Minnesota. Eight mining projects are in various stages of planning and require environmental review, air emission permits and water quality discharge permits. Mining companies operate in a highly competitive global marketplace. MPCA is expected to complete the necessary environmental review and permitting under very tight time constraints.

To meet current demands, MPCA has reassigned staff from typical regulatory activities. Seven FTE have been redirected to mining projects and 16 FTE (six of the 16 on a temporary basis) to ethanol projects. Over the long term the agency cannot sustain this interruption of essential services and still maintain the environmental and process gains of the last five years. Conversely, the agency cannot meet service demands from these developing economic sectors with current level staffing.

More than one hundred new or expanding wastewater facilities are impacted by Annandale-Maple Lake Court of Appeals decision. That decision prohibits MPCA from issuing a permit based on the potential that new or increased discharges will exacerbate already-impacted rivers and lakes. The decision is currently under review by the Minnesota Supreme Court. The court will further clarify the approach needed to issue permits for the wastewater facilities. When a Supreme Court decision is issued, permits must be addressed in a timely manner or municipalities will see disproportionate growth where capacity is available rather than based on need.

Finally, the Court of Appeals decision on MPCA's general municipal stormwater permit requires the agency to conduct technical reviews and give public notice on 230 stormwater pollution prevention plans. Providing public notice of specific plans completed under a general permit is a new effort and decreases the efficiency expected with the issuance of a general permit. With the shifts in personnel to meet the current demands for ethanol and

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mining growth, MPCA is not sufficiently staffed to meet the demands and issues created by these court decisions in a timely and effective manner.

The air and water programs will utilize the additional funding to add staff in areas of permitting, compliance, and supported by the multi-media programs through data analysis, assessment and environmental review. Additional staff will be able to address current regulatory demands and prepare for future issues such as air emission factors expected from cellulosic plants. Further, the agency will be positioned to address the technology needed for the environmental standards applied to these industries, particularly in the areas of mercury controls, salts, sulfates and hardness from water discharges. Contracts will be used to further the understanding of the agency by collecting data, conducting specified research and evaluating technology.

With this change item, MPCA will be able to meet the increased regulatory demands resulting from economic development, specifically in the ethanol and mining sectors. Adequate staff enables the agency to conduct core functions in its water, air and multi-media programs in a timely manner. While ethanol and mining are currently the most rapidly expanding economic development sectors, MPCA expects other sectors and municipalities to experience similar short-term, immediate needs followed by extended ongoing regulatory needs. Funding in FY 2008-09 allows the agency to meet the immediate needs and pressures, prevent erosion of process improvement gains, and bring stakeholders into the discussion to identify and implement long-term funding solutions.

Relationship to Base Budget

The $3 million increase per year in FY 2008-09 represents a six percent increase over FY 2008-09 base level funding used by MPCA for permitting, compliance and other regulatory activities. This request will enable MPCA to address challenges from growth in ethanol, mining, power and other industries by creating an agency-wide regulatory team while maintaining its assessment, environmental review and permitting services. The $3 million increase per year in FY 2008-09 will eliminate competition for limited agency resources between mandated and emerging priority actions on regulated entities.

Key Measures

Measures of effectiveness include:

- Permit process time – air and water programs considered separately.
- Permit backlogs for air and water programs.

Alternatives Considered

In thinking about ways to address resource pressures, the MPCA looked at a number of alternatives:

⇒ Process improvement projects to do more with current staffing levels as previous efforts yielded substantial results in permitting program.

⇒ MPCA participated in the revision of EQB rules that changed mandatory environmental review thresholds for smaller, low-risk, air pollution sources and wastewater systems – reducing by more than 50% the expected number of reviews — freeing up 1 FTE for other program work.

⇒ As previously mentioned, MPCA redirected resources — primarily from Land to Water programs — wherever possible to help emphasize agency priorities.

⇒ MPCA considered fee increases and believes these to be a potential option; more stakeholder involvement is needed to determine the best approach to implement this.

⇒ MPCA also considered requesting a higher percentage of Solid Waste Tax deposited to the Environmental Fund (currently at 70% of total SW tax receipts).

Statutory Change: Not Applicable.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
Environmental Fund				
Expenditures	$440	$370	$370	$370
Revenues	0	0	0	0
Remediation Fund				
Expenditures	(440)	(370)	(370)	(370)
Revenues	0	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation
The Governor recommends $440,000 in FY 2008 and $370,000 in FY 2009 from the Environmental Fund to the Water Program. This recommendation also decreases appropriations from the Remediation Fund to the Land Program by the same amounts. This request follows the directive for agencies to look within for the ability to fund high priority activities. Specifically, the additional resources will be spent to maintain core service levels in the Water Program. Increasing funding for the Water Program is possible because the agency needs less funding in the Land Program for the administration of closed landfill and superfund operations.

Background
The core services and programs provided by the Water Program (described in more detail in the main budget narrative) are among those identified as agency priorities. Such services include monitoring water quality of lakes, rivers and streams; assessing data on water quality impairments; monitoring ambient ground water quality; setting water quality standards; issuing permits for industrial and municipal facilities; issuing stormwater and feedlot permits; conducting inspections and taking enforcement actions; and proving technical assistance. The additional funding will be used to increase stormwater program compliance and enforcement efforts and to develop and implement key water quality rules. Program costs increase each year, particularly those related to staff costs. Since Minnesota Pollution Control Agency (MPCA) is not proposing increased permit fees in the Water Program, the increased funding will mitigate increased operating costs.

The Land Program has identified an amount of funding not needed for the administrative costs of its closed landfill and superfund programs. The closed landfill and superfund programs are vital but maturing activities in the Land Program that no longer require the level of funding identified in previous budget plans. Staffing and other support costs can be decreased by this amount and still provide the essential level of services.

The Land Program receives an appropriation for closed landfill and superfund administration from the Remediation Fund. Reducing the appropriation in FY 2008 and FY 2009 will decrease the amount transferred to the Remediation Fund from the Environmental Fund. A reduction in the transfer between funds means additional resources will be available in the Environmental Fund, which will fund the requested increased appropriation to the Water Program.

Relationship to Base Budget
The Water Program receives annual appropriations of $17.874 million from the Environmental Fund. Additional funding of $440,000 in FY 2008 is an increase of 2.5%, and the additional appropriation of $370,000 in FY 2009 is an increase of 2.1%.

The annual appropriation to the Land Program for the administration of superfund and closed landfill programs is $5.998 million. Decreases of ($440,000) in FY 2008 and ($370,000) in FY 2009 are reductions of 7.3% and 6.1% respectively in the amounts appropriated for the administration of these programs.

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Key Measures

⇒ An additional 120 construction stormwater inspections will be conducted each year with the addition of three compliance and enforcement positions. Depending on the results of these inspections, additional enforcement actions are also likely to be completed.

⇒ Rulemakings will establish nutrient standards for rivers, update Class 3 and 4 Industrial Use water quality standards, and improved aquatic use designations for waters of the state.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$88	$177	$177	$177
Revenues	0	0	0	0
Net Fiscal Impact	$88	$177	$177	$177

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for compensation costs from the General Fund.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases. New funding for General Fund activities has been limited in recent years, with the result that agencies have responded to the cost pressures through staff reductions, shifting costs between activities, and program and service reductions.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the .25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	8	8	8	8	16
Petroleum Tank Release Cleanup	4	8	6	6	12
State Government Spec Revenue	40	37	37	37	74
Environmental	21,968	22,848	23,660	23,725	47,385
Other Revenues:					
General	310	312	307	307	614
Petroleum Tank Release Cleanup	135	40	40	40	80
Environmental	2,316	2,452	1,232	1,260	2,492
Remediation Fund	4,210	4,157	2,647	2,618	5,265
Closed Landfill Investment	27	0	0	0	0
Total Non-Dedicated Receipts	**29,018**	**29,862**	**27,937**	**28,001**	**55,938**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	545	740	310	317	627
Grants:					
Misc Special Revenue	3,705	3,350	3,450	3,550	7,000
Federal	19,254	28,494	21,091	21,913	43,004
Other Revenues:					
Clean Water Revolving Fund	156	164	164	164	328
Misc Special Revenue	8,642	9,612	9,662	9,668	19,330
Environmental	62	67	65	65	130
Remediation Fund	245	251	102	150	252
Gift	6	11	11	11	22
Other Sources:					
Clean Water Revolving Fund	1,596	1,647	2,836	2,836	5,672
Environmental	169	253	238	238	476
Total Dedicated Receipts	**34,380**	**44,589**	**37,929**	**38,912**	**76,841**
Agency Total Revenue	**63,398**	**74,451**	**65,866**	**66,913**	**132,779**

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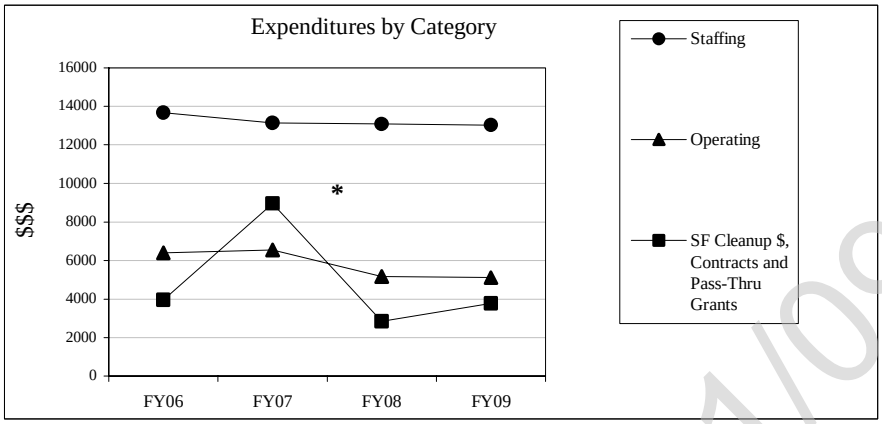
In the FY2006-2007 biennium, the MPCA received $52.6 M in the form of grants and cooperative agreements from the federal government. This amount is projected to drop by 18% in the FY2008-2009 biennium to $43.0 M.

Illustration 1



Non-Point Source Program Implementation Grants. The extensions effectively "shift" expenditures from FY2006 to FY2007 and provide an inaccurate appearance of increased revenues.

Illustration 2

	FY2006-2007	FY2008-2009	Change
Staffing	26,814	26,115	97%
Operating Costs	12,945	10,284	79%
SF Cleanup, Contracts and Pass-Through Grants	12,832	6,605	51%
Totals	52,591	43,004	82%

Ninety-nine percent of federal funding received by the MPCA is from the U.S. Environmental Protection Agency (EPA). The remaining 1% arrives from the Great Lakes National Program Office and the Department of Defense.

Federal funds are important because they enable the MPCA to carry out activities identified in our strategic plan as essential to protect, conserve and improve our environment and enhance our quality of life. Additionally, the funds support actions identified in the current Performance Partnership Agreement (PPA) – a negotiated agreement between the MPCA and EPA that establishes jointly developed state, regional and national goals, objectives, and priorities; the strategies to be used in meeting them; the roles and responsibilities of each party; and, the measures to be used in assessing progress. And, the PPA serves as a foundation for negotiating the agency's largest single federal award, the Performance Partnership Grant (PPG).

The PPG in and of itself accounts for $19.6 M or 45% of our anticipated federal resources for the FY2008-2009 biennium. The grant is a unique funding mechanism that allows multiple federal environmental program grants to be arranged under one "umbrella" award. By having one overall award and program plan, administrative requirements of what once were multiple federal grants are streamlined. Thus, the PPG provides administrative savings and the programmatic flexibility to direct grant resources where they are most needed to address environmental and public health priorities.

The remaining $23.4 million in projected FY2008-2009 federal funding will be received through approximately 50 other agreements in program areas of water, air, land and multimedia.

The Water Program's federal funding is projected to decline by 22% from $20.5 M in FY2006-2007 to $16.0 M in FY2008-2009. Four federal Clean Water Act-related programs of domestic assistance have been or will be eliminated during the FY2008-2009 biennium. These eliminations include program funding for wetlands and other water quality work, which our agency has historically designated as areas of priority environmental concern. Additionally, our Clean Water Act Section 319 Non-Point Source Program Implementation Grants used to accomplish federally mandated Total Maximum Daily Load (TMDL) projects continue to decline in amount of federal funding. This annual grant will have decreased from $4.1 M in FY2004-2005 to $2.7 M in FY2008-2009.

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That 36% loss in funding from FY2004-2005 levels constitutes a $1.4 M reduction in grants to local units of government. The one area of water programs that shows promise for an increase is that of the new federal assistance area of Water Pollution Control Program Support, indicated by "*" on the Federal Programs chart below.

Air Program federal funding will decline from $0.86 M in FY2006-2007 to $0.74 M in FY2008-2009, amounting to a 14% reduction. The MPCA continues to receive funding for the ambient monitoring of fine particulate matter, which is part of the Section 103/Air Research and Development Program grant. Funding for this particular Air Pollution Control-Research grant was reduced during the last biennium and is expected to lose another 15% during FY2008-2009.

Land Program federal funding is projected to decline by just 2% from FY2006-2007 to FY2008-2009. However, funding for Superfund site specific activities will decrease appreciably during this period. By the end of this biennium the MPCA will only receive funds for monitoring the status of closed/completed sites. In addition to site-specific activities, the Superfund CORE grant, which provides flexibility to ongoing state administration of non-site-specific Superfund activities, will receive a federal reduction of 20% per year for the next five federal fiscal years until the program ends. These reductions are due primarily to the decrease in number of federally identified clean-up sites in Minnesota and the Superfund needs of other states in the region. Funding for the Leaking Underground Storage Tanks (LUST) and Brownfield program areas will be similar to FY2006-2007 levels.

In the Multimedia Program, funding will remain at a consistent level with the FY2006-2007 biennium. The MPCA anticipates continued receipt of the National Environmental Information Exchange Network (NEIEN) grants to further develop and support our integrated compliance, enforcement and permitting data management system. These grants will allow other state and federal partners to share and exchange data, saving resources and ensure public access to the most current and complete data. These grants will also identify and correct data quality problems and train facility operators and MPCA staff in new data management practices. The goal of the NEIEN program is to increase the quality and availability of environmental data generated by the MPCA for its stakeholders, whether federal or the public.

Federal Programs ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
Reimbursement of Technical Services	0	SO	238	338	301	307
Air Pollution Control - Research	0	SO	425	437	370	370
Water Pollution Control Program Support *	0	SO	0	246	182	169
Surveys and Studies - CWA Section 104(B)(3)	0	SO	1	63	20	0
Water Quality Management Planning	0	SO	223	165	163	163
Non-Point Source Technical Assistance	2,063	SO	3,075	4,123	3,900	3,900
Non-Point Source Program Implementation Grants	238	GPS	2,623	7,510	2,186	3,636
Wetlands Programs Grants	50	SO	110	189	0	0
Water Quality Cooperative Agreements	0	SO	271	112	0	0
Great Lakes Program	0	SO	245	224	208	209
Beach Monitoring and Notification Program Implementation Grants	0	SO	171	207	200	198

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Federal Programs ($ in Thousands) (Continued)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
Environmental Outcome Wetland Demonstration Program Grant Pilot	16	SO	84	458	400	400
Assessment and Watershed Protection Program Grants	0	SO	55	2	0	0
Great Lakes Commission - Air Toxics Inventory		SO	8	65	20	20
Performance Partnership Grants	3,041	SO	8,233	10,277	9,781	9,781
Surveys, Studies, Investigations and Special Purpose Grants	0	SO	58	0	0	0
Wastewater Operator Training and Security Grants	10	SO	53	24	24	24
Environmental Information Exchange Network Grants	0	SO	669	672	200	200
Environmental Policy and Innovation	26	SO	12	73	28	0
Pollution Prevention Program Grants	81	SO	100	154	90	90
Multi-Media Capacity Building Grants	0	SO	0	150	0	0
Source Reduction Assistance	22	SO, GPS	17	13	0	0
Superfund State Programs	327	SO	599	609	651	45
Leaking Underground Storage Tank Trust Fund	271	SO	1,139	1,350	1,350	1,350
Superfund Core Program Cooperative Agreements	36	SO	164	240	264	198
Brownfield Response Program Grants	0	SO	682	858	753	753
Total Federal Indirect – Special Revenue (P02) **	0	-	4,777	-	-	-
Agency Total	**6,181**	**-**	**24,032**	**28,559**	**21,091**	**21,913**

Key: Primary Purpose
SO = State Operations GPS = Grants to Political Subdivision

** - Prior to FY07, federal indirect was not reported on this table as part of the federal program from which it originated.

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Change Summary	5
➲ Compensation Adjustment	6
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➲ Designates that this item is a change item

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Agency Purpose

The Private Detective and Protective Agent Services Board is the *regulatory* agency for investigative and protective (security) services in the state (M.S. 326.32-339). The board is responsible for the licensing of investigative and protective service providers. The licensing process directs the board to:

- ensure *competency* of service providers;
- manage regulatory *compliance*; and
- demonstrate *vision* concerning the trends of these professional services to enhance the regulatory program and procedures.

With national tragic events that occurred, there is a call for a broader preparedness. The board continues to strive to protect the public through comprehensive licensing of these very visible, preventative, and responsive services that are of assistance to government public safety services.

At A Glance

Two-Year State Budget:

- $252,000 General Fund fee supported program.

Annual Business Processes:

- Over 400 licenses for investigative and security services managed and monitored.
- Over 73 new investigative and protective licenses issued.
- Over 235 investigative and protective licenses reissued.
- Training program review and approval for 75 training providers of mandatory training of 459 initial and continuing training and over 110 armed courses.

Core Functions

The board maintains regulatory standards in the management of licensing and training program compliance through these core functions:

- regulate private investigative and protective services;
- monitor programs for standards compliance; and
- enforce regulatory statute compliance.

Functions supporting operational goals:

- critical review of license candidates;
- issue licenses to those deemed competent;
- monitor statutory compliance with licensing and training;
- evaluate mandatory training proposal and compliance by licensees;
- respond to complaints; and
- educate the public, business, and law enforcement concerning licensing.

Operations

The board has a broad customer base. Primary service obligations are to the public, license holders and applicants, training providers, businesses, law enforcement agencies, and employees of license holders.

The board executes decisions concerning licensing, training, and discipline. Staff personnel manage and administer the regulatory, training, compliance, complaint response, and educational element of the regulatory program.

Key Measures

⇒ There is an increased need for investigative and security services who act in the interest of public safety. There are larger numbers of individuals seeking these fields as an employment source.

⇒ Increased visibility and use of licensed services raise the potential for abuse.

⇒ Growing demands, expectation, and reliance on license holders raises the “professional bar” of investigative and security services.

⇒ Dependence on these services, in matters of public safety, calls for focus on mandatory training requirements.

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Budget

The board's FY 2006-07 budget total is $252,000. Agency staff includes 1.40 full-time equivalent positions.

Of the total budget for the biennium, board funding comes from an appropriation from the General Fund. Fee and penalty revenues collected by the board are deposited into the General Fund as a non-dedicated receipt.

Contact

Private Detective and Protective Agent Services Board
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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	126	126	126	126	252
Recommended	**126**	**126**	**128**	**130**	**258**
Change		0	2	4	6
% Biennial Change from 2006-07					2.4%
Expenditures by Fund					
Direct Appropriations					
General	108	171	128	130	258
Total	**108**	**171**	**128**	**130**	**258**
Expenditures by Category					
Total Compensation	84	105	107	109	216
Other Operating Expenses	24	66	21	21	42
Total	**108**	**171**	**128**	**130**	**258**
Expenditures by Program					
Priv Detect/Protect Agents Bd	108	171	128	130	258
Total	**108**	**171**	**128**	**130**	**258**
Full-Time Equivalents (FTE)	**1.4**	**1.4**	**1.4**	**1.4**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**126**	**126**	**126**	**252**
Subtotal - Forecast Base	**126**	**126**	**126**	**252**
Change Items				
Compensation Adjustment	0	2	4	6
Total Governor's Recommendations	**126**	**128**	**130**	**258**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2	$4	$4	$4
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2	$4	$4	$4

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	139	136	136	136	272
Other Revenues:					
General	0	1	1	1	2
Total Non-Dedicated Receipts	**139**	**137**	**137**	**137**	**274**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**139**	**137**	**137**	**137**	**274**

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➲ Designates that this item is a change item

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Agency Purpose

The Board of Psychology is the agency of the state that licenses and regulates licensed psychologists (LP) and licensed psychological practitioners (LPP), under the authority of M.S. 148.88-148.98 and related rules.

The mission of the board is to protect the public from the practice of psychology by unqualified persons and from unethical and unprofessional conduct by persons licensed to practice psychology.

At A Glance

Biennial Budget – FY 2006-07:

Total Estimated Expenses: $2 million

Total Estimated Revenue: $2.237 million

Staff: 9.2 Full-time equivalent employees

Minnesota Licensed Psychologists Statistics
(As of June 30, 2006)

Total Licensed: 3,690

Core Functions

The board accomplishes its mission by:

- reviewing applicants' education and training for compliance with board requirements for licensure;
- requiring that applicants pass a state and a national standardized examination on the practice of psychology;
- educating the public about the requirements for licensure and the rules of conduct for applicants and licensees;
- requiring, approving, and establishing continuing education for licensees; and
- investigating and resolving complaints from the public (including other licensees), which allege violations of the Psychology Practice Act.

Operations

⇒ The Board of Psychology is made up of 11 members appointed by the governor.

⇒ The board's staff gathers information from applicants about their qualifications for licensure and independently verifies the information from primary sources. If the information is substantiated and meets licensure requirements, board members admit an applicant to examination or to licensure.

⇒ The board serves a varied customer base. Primary customers include applicants for examinations and licensure, licensees, the general public, continuing education sponsors, and other government agencies.

⇒ Licenses are renewed biennially after licensees meet all renewal requirements, including providing documentation of the required number of continuing education hours.

⇒ Consumer complaints are investigated to establish whether a violation of the Psychology Practice Act has occurred and the board adopts any necessary disciplinary or other remedy against an applicant's ability to be admitted to practice or a licensee's license to practice psychology.

Key Measures

⇒ Received, reviewed, and approved 103 new licenses, 1,800 renewals, and verified 4,154 licenses for the purpose of credentialing or licensure in other jurisdictions in FY 2006.

⇒ Admitted 240 applicants to the national examination and 350 applicants to the state examination in FY 2006.

⇒ Opened 132 new complaints and closed 126 complaints in FY 2006.

Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be $2 million, which includes 9.20 full- time equivalent employees. Direct expenditures include salaries, rent and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received from the Attorney General's Office, Health Professional Services Program, Office of Mental Health Practice and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

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The board is estimated to collect $2.237 million in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	680	680	680	680	1,360
Recommended	**680**	**680**	**788**	**806**	**1,594**
Change		0	108	126	234
% Biennial Change from 2006-07					17.2%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	579	781	788	806	1,594
Open Appropriations					
State Government Spec Revenue	10	3	9	9	18
Total	**589**	**784**	**797**	**815**	**1,612**
Expenditures by Category					
Total Compensation	436	542	595	633	1,228
Other Operating Expenses	153	242	202	182	384
Total	**589**	**784**	**797**	**815**	**1,612**
Expenditures by Program					
Psychology, Board Of	589	784	797	815	1,612
Total	**589**	**784**	**797**	**815**	**1,612**
Full-Time Equivalents (FTE)	**7.8**	**9.1**	**9.4**	**9.4**	

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PSYCHOLOGY BOARD

Change Summary

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**680**	**680**	**680**	**1,360**
Subtotal - Forecast Base	**680**	**680**	**680**	**1,360**
Change Items				
Operating Budget Increase	0	90	90	180
Compensation Adjustment	0	18	36	54
Total Governor's Recommendations	**680**	**788**	**806**	**1,594**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**3**	**9**	**9**	**18**
Total Governor's Recommendations	**3**	**9**	**9**	**18**

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PSYCHOLOGY BOARD

Change Item: Operating Budget Increase

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	90	90	90	90
Revenues	0	0	0	0
Net Fiscal Impact	$90	$90	$90	$90

Recommendation

The Governor recommends an increase to the Board of Psychology's annual appropriation by $90,000 to cover non-salary operating expenses, including the cost of investigations, credit card processing fees, and rules promulgation. There will be a corresponding decrease to the amount the board pays to the Attorney General's Office (AGO), as the board has assumed many of the services it previously hired the AGO to perform. In an effort to reduce overall cost, the board worked with the AGO to identify services the board can perform with its existing staff.

Background

The board is staffed with nine full-time equivalent employees and receives an annual appropriation of $680,000. The board has not sought or received an increased appropriation since FY 2003. During that time period, the cost to investigate and adjudicate cases has increased significantly. For example, the cost of services provided by Office of Administrative Hearings (OAH) and the cost of hiring specialist to serve as expert witnesses have greatly increased. In addition, the cases have become more complex and take more time to resolve, which increases the overall costs of investigations and litigation.

In an effort to improve customer service to licensees, the board has implemented an online licensing renewal system; however, in providing the service, the board incurs processing fees from credit card companies and banks administering the transaction. The board expects to pay $20,000 annually in processing fees over the next biennium.

Relationship to Base Budget

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the AGO, and costs to fund the Health Professionals Services Program and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be $1.950 million. The board is estimated to collect $2.066 million in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

Key Measures

The additional resources will assist the board in meeting the following key measures:

⇒ Review and approve licenses in a timely manner.

⇒ Promptly investigate complaints and resolve investigations.

⇒ Protect the citizens by identifying and disciplining impaired practitioners.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	18	36	36	36
Revenues	0	0	0	0
Net Fiscal Impact	$18	$36	$36	$36

Recommendation
The Governor recommends additional funding of $18,000 in FY 2008 and $36,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs and 3.25% for other funds.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
State Government Spec Revenue	1,222	1,028	1,028	1,028	2,056
Other Revenues:					
State Government Spec Revenue	5	3	3	3	6
Total Non-Dedicated Receipts	**1,227**	**1,031**	**1,031**	**1,031**	**2,062**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**1,227**	**1,031**	**1,031**	**1,031**	**2,062**

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January 22, 2007

To the 2007 Legislature:

I respectfully submit for your consideration the Governor's FY 2008-09 budget proposal for the judicial branch agencies, including the Supreme Court, the Court of Appeals, the Trial Courts, the Legal Professions Boards, and the Board of Public Defense. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

The Governor recommends a general funding increase of 4% per fiscal year for the major judicial branch agencies to recognize compensation-related, caseload, and other cost pressures in the criminal justice area. The Governor makes no specific recommendations on judicial branch agency change requests for the FY 2008-09 biennium.

The Governor also recommends $200,000 in FY 2007 as a deficiency request for the Board of Public Defense to deal with increased transcript costs.

Sincerely,

Tom J. Hanson

Tom J. Hanson
Commissioner

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Agency Purpose

The Board of Public Defense is a judicial branch agency whose purpose is to provide quality criminal defense services to indigent defendants in the state of Minnesota through a cost effective and efficient public defender system. The public defense system is the largest customer of the courts, and public defenders provide service in every courthouse in Minnesota, handling over 176,000 cases per year.

At A Glance

Two Year State Budget:

- $122 million - General Fund

Annual Caseloads

- 176,000 District Public Defense Cases
- 3,000 Parole Revocation Hearings
- 946 Appellate Files Opened
- 487 Community Notification Hearings

Core Functions

The Judicial District Public Defender Offices provide quality trial court criminal defense services to indigent clients charged with crimes in felony, gross misdemeanor, misdemeanor, and juvenile cases. The State Public Defender's Office (SPD) provides services to indigent clients who appeal their convictions; post conviction proceedings; individuals subject to supervised release/parole revocations; and individuals subject to community notification hearings.

Operations

The ten Judicial District Public Defender Offices provide quality criminal defense services to indigent persons in felonies, gross misdemeanors, misdemeanors, juvenile delinquency, and Children In Need of Protective Services (CHIPS). This is accomplished through a system that relies heavily on part-time attorneys (60%). During FY 2006 the districts provided service for 176,000 cases. This program also includes partial funding for five nonprofit public defense corporations. The corporations provide high quality, independent criminal, and juvenile defense services primarily to minority indigents, who otherwise would need public defense services. The five corporations are the Neighborhood Justice Corporation (St. Paul); Legal Rights Center (Minneapolis), Duluth Indian Legal, and the Leech Lake, and White Earth Criminal, and Juvenile Defense Corporations.

The SPD provides services to indigent clients in state prisons who appeal their criminal cases to the Minnesota Court of Appeals and Supreme Court; or who pursue post conviction proceedings in the District Courts throughout the state; defendants in supervised release/parole revocation proceedings; individuals subject to community notification.

Budget

During FY 2006-2007 budget totals $122 million. Agency staff includes 590 full-time equivalent employees, 420 of which are attorney positions.

The entire agency is funded through the General Fund.

Contact

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	60,703	61,801	61,801	61,801	123,602
Recommended	**60,703**	**62,001**	**64,273**	**66,844**	**131,117**
Change		200	2,472	5,043	7,515
% Biennial Change from 2006-07					6.9%
Expenditures by Fund					
Direct Appropriations					
General	59,030	63,674	64,273	66,844	131,117
Statutory Appropriations					
General	426	494	450	450	900
Gift	107	52	52	52	104
Total	**59,563**	**64,220**	**64,775**	**67,346**	**132,121**
Expenditures by Category					
Total Compensation	40,715	44,530	43,193	43,193	86,386
Other Operating Expenses	6,006	6,904	8,796	11,367	20,163
Local Assistance	12,842	12,786	12,786	12,786	25,572
Total	**59,563**	**64,220**	**64,775**	**67,346**	**132,121**
Expenditures by Program					
Appellate Office	4,117	4,455	4,237	4,237	8,474
Administrative Services Office	1,622	2,422	4,514	7,085	11,599
District Public Defense	53,824	57,343	56,024	56,024	112,048
Total	**59,563**	**64,220**	**64,775**	**67,346**	**132,121**
Full-Time Equivalents (FTE)	**621.5**	**624.1**	**624.1**	**624.1**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**61,801**	**61,801**	**61,801**	**123,602**
Subtotal - Forecast Base	**61,801**	**61,801**	**61,801**	**123,602**
Change Items				
Transcript Deficiency	200	0	0	0
Judicial Branch Increase	0	2,472	5,043	7,515
Total Governor's Recommendations	**62,001**	**64,273**	**66,844**	**131,117**
Fund: GENERAL				
Planned Statutory Spending	**494**	**450**	**450**	**900**
Total Governor's Recommendations	**494**	**450**	**450**	**900**
Fund: GIFT				
Planned Statutory Spending	**52**	**52**	**52**	**104**
Total Governor's Recommendations	**52**	**52**	**52**	**104**

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Program Description

The Appellate Office provides services to indigent clients in criminal appeals, post conviction proceedings in the District Courts, sex offender community notification and review hearings, and supervised release/parole revocation proceedings.

Program at a Glance

- 946 Appellate cases opened in FY 2006
- 3,000 Parole revocation hearings FY 2006
- 487 Sex offender notification hearings

Population Served

In recent years, there has been a major legislative effort to increase penalties for existing crimes. In addition, new statutory penalties have been enacted to deal with specific populations or issues. Increased penalties and stronger enforcement have resulted in a significant increase in the population of the state's prisons and jails. The Minnesota Department of Corrections (DOC) records indicate that there are 8,874 inmates in the state's correctional facilities, a 30% increase in the last five years. This population is the client base for the Appellate Office. Appellate cases have increased substantially in recent years. From FY 2004 to FY 2006, the number of appellate files opened increased by 15%; sex offender notification increased by 24%; and parole revocation hearings by 29%. In addition, a recent ruling by the Minnesota Supreme Court (Deegan) requires the office to provide counsel in all cases in which there has not been prior appellate review.

In 1996, the legislature enacted the community notification law for sex offenders. The law requires a review process for classifying sex offenders. Indigent offenders have the right to representation by the Office of State Public Defender (OSPD.) In the past the OSPD has only represented those individuals recommended for Level II or III (about 40% of offenders). Given recent events it is the believed that this percentage will increase to 50%. This could result in 25-30 more cases per year. Parole violations also increase this workload. If a risk level I or II offender is returned to prison, the committee can elect to increase their risk level. This could mean more than 175 new cases per year. Finally, all level III offenders are now automatically referred for possible commitment. Because of the greatly increased consequences, most individuals recommended as "Level III" offenders will want to vigorously contest that designation, including requesting administrative review. Caseloads in this area grew 24% between FY 2004 and FY 2006. This is on top of a 60% increase from the previous biennium, and appeals of these decisions increased by 44%.

Services Provided

The Appellate Office provides services to indigent prisoners who appeal their criminal cases to the Minnesota Court of Appeals and Supreme Court; or who pursue post conviction proceedings in the District Courts throughout the state; to defendants in supervised release/parole revocation proceedings; to individuals subject to community notification.

Historical Perspective

There is a constitutional right to counsel at public expense for indigent prisoners' appeals and parole revocation hearings. As sentence lengths increase, prisoners have more motivation to go through the appellate process, which takes about a year. They also have longer periods of supervised release, leading to more parole revocation hearings.

Key Measures

⇒ Appellate cases increased 15% from FY 2004 to FY 2006.
⇒ Community notification hearings are estimated to increase from 24% FY 2004 to CY 2006.
⇒ Parole revocation hearings increased 29% from FY 2004 to FY 2006.

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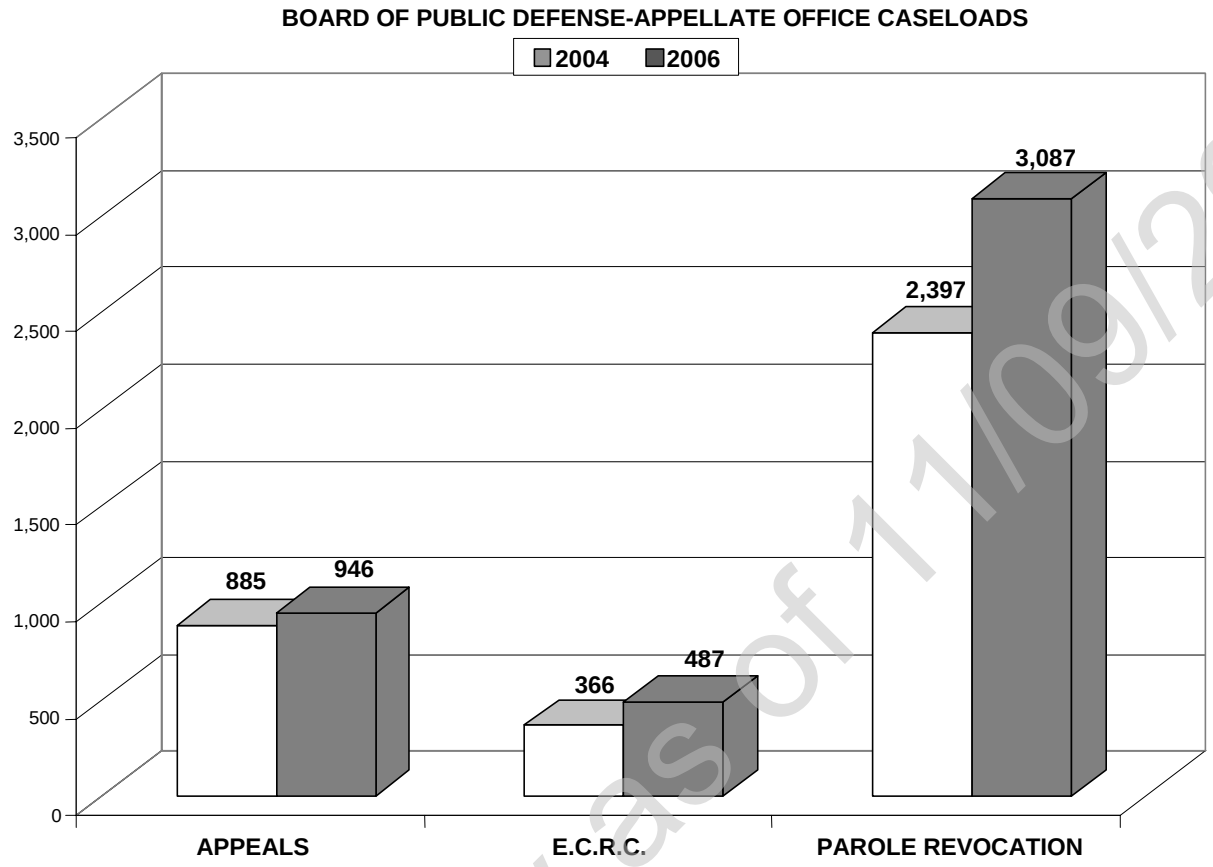

Program Funding

The state public defender has attempted to keep up with the ever-increasing caseload within its limited resources by using law clerks where possible. Currently, the office staff has 28.5 full-time attorneys, a budget of approximately $3.8 million. Approximately 8% of the budget is used to pay for the cost of trial transcripts. The increasing caseloads continue to make it difficult for the office to provide constitutionally mandated services, and to meet court-imposed deadlines for appellate matters.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	4,117	4,455	4,237	4,237	8,474
Total	**4,117**	**4,455**	**4,237**	**4,237**	**8,474**
Expenditures by Category					
Total Compensation	3,269	3,426	3,408	3,408	6,816
Other Operating Expenses	848	1,029	829	829	1,658
Total	**4,117**	**4,455**	**4,237**	**4,237**	**8,474**
Expenditures by Activity					
State Public Defender	4,117	4,455	4,237	4,237	8,474
Total	**4,117**	**4,455**	**4,237**	**4,237**	**8,474**
Full-Time Equivalents (FTE)	**41.5**	**41.5**	**41.5**	**41.5**	

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Program Description
The Board's Administrative Services Office under the direction of the state public defender and Chief Administrator provides policy implementation for the agency's programs, and overall management of its activities.

Population Served
The Administrative Services Office provides staff support to all public defender organizations.

Services Provided
The Administrative Services Offices provides staff support to all public defender organizations and implements the Board's policies. In addition, it is responsible for management of the agency systems related caseloads, budget, personnel, and information systems. It accomplishes this with the smallest administrative staff of any state agency of comparable size. The Administrative Services Office operates on 3% of the agency's budget.

Program at a Glance

- Budget, information systems, policy and human resources work for 500+ state employees and 200 county employees.
- Sets standards and policies for provision of public defense services statewide.
- Information system support for 29 regional offices around the state.
- Budget support for ten district offices, appellate office and five public defense corporations.

Over the past few years, the Board has been working to complete state assumption of public defense services, and implement the policy changes and mandates that the legislature has passed. Specifically, the Board has developed and implemented policies covering personnel, compensation, budgeting, training, client eligibility, conflict cases, and Management information system (MIS.) Caseload standards have also been adopted. During FY 2006 the Board completed negotiations with two bargaining units representing attorneys and support staff. The Board has also completed work on a strategic plan, a training plan, and an information systems plan, and is going about the task of implementing these plans. The Board is also implementing a change in the status of personnel in the Second and Fourth Judicial District Public Defender Offices. All new hires in these Judicial Districts as of 1-1-99 are state employees.

The Information Systems (IS) Office designs, implements, and maintains systems in 12 main offices and 16 satellite offices. Over 700 public defender staff people use these systems statewide. They are currently accomplishing this with five staff people. Significant time and effort is dedicated to maintaining and enhancing existing systems such as e-mail, virus protection, web site resources, case and client statistics, asset tracking, attorney timekeeping, online legal brief, and transcript banks. Currently, most of the IS team's time is spent integrating systems with the Minnesota Supreme Court's new Minnesota Court Information System (MNCIS) Changes in criminal justice information systems directly impact the public defender system. The overall goals of Minnesota's criminal justice system cannot be reached if the needs of the public defender system (the largest single user of the criminal justice system) are not recognized and provided for.

Key Measures
⇒ Five Information Technology (IT) staff support 12 main offices and 16 regional offices.
⇒ A staff of 12 and 3% of the budget supports a system of 500 state employees and 200 county employees.

Program Funding
The Board is accomplishing its mission and supporting district and appellate public defender programs with a minimal staff. Currently, 3% of the budget is expended on central administration and information systems. There are 12 staff people that support an annual budget $61 million and affecting 500 state and 200 county employees.

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PUBLIC DEFENSE BOARD

Program: ADMINISTRATIVE SERVICES OFFICE

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	1,622	2,422	4,514	7,085	11,599
Total	**1,622**	**2,422**	**4,514**	**7,085**	**11,599**
Expenditures by Category					
Total Compensation	1,120	1,211	1,211	1,211	2,422
Other Operating Expenses	502	1,211	3,303	5,874	9,177
Total	**1,622**	**2,422**	**4,514**	**7,085**	**11,599**
Expenditures by Activity					
Public Defense Board	1,622	2,422	4,514	7,085	11,599
Total	**1,622**	**2,422**	**4,514**	**7,085**	**11,599**
Full-Time Equivalents (FTE)	**11.1**	**12.0**	**12.0**	**12.0**	

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Program Description

The ten Judicial District Public Defender Offices provide quality criminal defense services to indigent persons in felonies, gross misdemeanors, misdemeanors, juvenile delinquency, and Children in Need of Protective Services (CHIPS). Under Minnesota law, all individuals accused of a felony, gross misdemeanor, misdemeanor or juvenile crime are entitled to be represented by an attorney before, during, and after their trial. If an individual who is accused in one of the above proceedings cannot afford the services of a private attorney, the court will appoint a public defender to represent that individual. This is accomplished through a system that relies on a mix of full-time and part-time attorneys (60%), as well as support staff. During FY 2006, the districts provided service in 176,000 cases.

Program at a Glance

- 176,000 cases opened in 2006
- Largest user of court system
- Presence in every county in the state
- Caseloads in excess of double American Bar Association (A.B.A.) standards
- 30,000 excess part-time hours

Population Served

Trial level public defense serves the attorney needs of 175,000 indigent Minnesotans.

Services Provided

The public defender system provides trial level representation in criminal defense cases, including investigation, expert witnesses, and support services. This program also includes part of the cost of five nonprofit public defense corporations. The corporations provide high quality, independent criminal and juvenile defense services primarily to minority indigent defendants, who otherwise would need public defense services.

Historical Perspective

In the last ten years, the state has assumed the cost of providing these services from the counties. As of 1-1-99 all new hires in the Second (Ramsey) and Fourth (Hennepin) Judicial District public defender offices are state employees. In the Second Judicial District, the state provides full funding for the public defender office. In the Fourth Judicial District, there is a cost sharing between the state and Hennepin County.

Over the last several years increased enforcement of complicated felony cases, the implementation of the Children's Justice Initiative statutory changes, the implementation of the Children's Justice Initiative (CJI) and changes in court proceedings, have all combined to push the public defender system to the brink. From FY 2004 to FY 2006 felony cases have increased 16%; gross misdemeanors 11%, child protection cases 10%, and probation violations 11%. Caseloads are nearly double the Board's and A.B.A. caseload standards.

Under current law (M.S. 260C.331), the cost of legal representation of parents in a CHIPS case is borne by the county in which the proceedings are held. Over the past several years public defenders have provided representation to parents in these cases even though it is not a mandated service. On average there are currently two public defender appointments per case. This puts a huge strain on part-time defenders in greater Minnesota who must often travel long distances to handle these cases.

Over the last five years, the Supreme Court has implemented (statewide) its Children's Justice Initiative (CJI). The CJI emphasizes the urgency of responding to child welfare cases much more quickly, and with much better standards of practice. This includes guidelines for attorney time and resources devoted to each stage of a CHIPS case and a best practices guide for CHIPS cases. These changes and the corresponding public defender time commitments have been implemented without any additional resources being provided to the public defense system. This has placed a huge strain on the same rural part-time public defenders. Based on the time commitments outlined in the CJI, there is a need for an additional 203,000 hours of attorney time to meet the CJI protocol.

Over the last seven years there have been 18 drug courts created around the state. Drug courts include initial intensive treatment services with ongoing monitoring and continuing care for a year or more. This results in extensive time commitments for all those involved in drug court including public defenders. Participant contacts with the public defenders are frequent and ongoing, and occur at each status hearing. The establishment of drug

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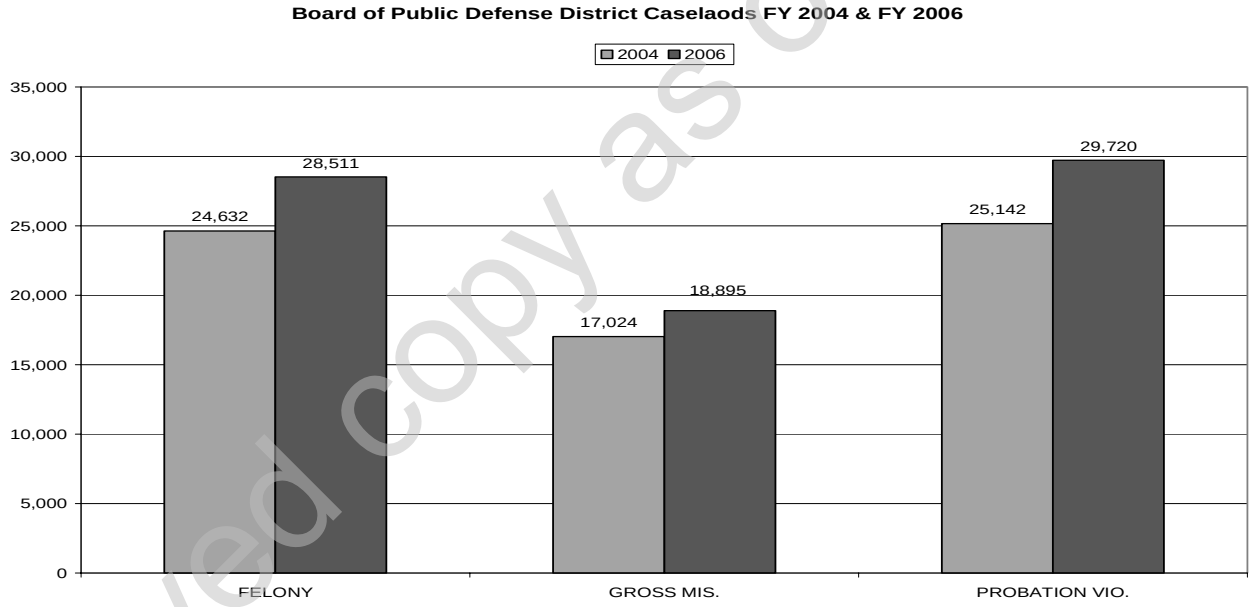
court and the requirements of the court dictate that staff be assigned specifically to that court. This places a burden on the public defender system since a defender is taken out of the regular court, thereby reducing the "economy of scale" in the regular court and putting an extra burden on the remaining defenders.

During the 2003-2004 biennium there were eighteen new judgeships created. With each of these judgeships comes another calendar (or court room) where public defenders must appear. These new judgeships were created without a corresponding increase in public defender staff.

The board is the largest user of the state court system, so changes in court procedures, calendaring of cases, statutory changes, and changes in prosecution directly impact the board's ability to provide quality legal services to its clients. These changes need to be examined as to their impact on the ability of the public defender system to continue to provide services to the clients and courts. All of these initiatives, as well as the efficiency and integrity of the judicial system, are dependent on the public defender system's ability to provide quality legal services. If it cannot provide these services, court cases are continued, jails sit filled, and appeals and complaints rise. In short, the criminal justice system stops.

The public defender system does not and cannot control its client intake or workload. These important variables are controlled by external circumstances, such as: local government decisions that increase police and prosecution, new constitutional mandates, Supreme Court Rules, sentencing guideline changes, statutory changes, and judicial calendaring changes. Among the new challenges are the increased emphasis on prosecution of sex offenders, methamphetamine, and child protection cases.



Key Measures

⇒ 176,000 cases opened in FY 2006.
⇒ Serious cases up by double digits in the last two years.
⇒ 203,000 attorney hours needed to meet the CJI protocol.
⇒ 18 Drug Courts operating statewide.
⇒ District public defenders carry caseloads that average nearly twice the recommended standards.
⇒ Part time public defenders provided in excess of 30,000 uncompensated hours in FY 2006.

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Program Funding

The current appropriation for this program is approximately $55 million annually. Increased costs related to insurance, as well as increased personnel, and retirement costs have strained district budgets. The state's lack of past funding for compensation increases has resulted in salaries considerably below other public service attorneys and staff. Caseloads, time demands and increased hours for part-time defenders continue to make it more difficult to attract and retain good defense attorneys. For part-time defenders more time is demanded from them without compensation. The result is a weakened court and a criminal justice system which experiences major delays and often must stop the processing of defendants.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	53,291	56,797	55,522	55,522	111,044
Statutory Appropriations					
General	426	494	450	450	900
Gift	107	52	52	52	104
Total	**53,824**	**57,343**	**56,024**	**56,024**	**112,048**
Expenditures by Category					
Total Compensation	36,326	39,893	38,574	38,574	77,148
Other Operating Expenses	4,656	4,664	4,664	4,664	9,328
Local Assistance	12,842	12,786	12,786	12,786	25,572
Total	**53,824**	**57,343**	**56,024**	**56,024**	**112,048**
Expenditures by Activity					
District Public Defense	53,824	57,343	56,024	56,024	112,048
Total	**53,824**	**57,343**	**56,024**	**56,024**	**112,048**
Full-Time Equivalents (FTE)	**568.9**	**570.6**	**570.6**	**570.6**	

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Change Item: Transcript Deficiency

Fiscal Impact ($000s)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
General Fund					
Expenditures	$200	$0	$0	$0	$0
Revenues	0	0	0	0	0
Other Fund					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact	$200	$0	$0	$0	$0

Recommendation
The Governor recommends $200,000 in FY 2007 as a deficiency request to deal with the increased transcript costs for the Board of Public Defense.

Background
The Appellate Office handles appeals for indigents in felony and gross misdemeanor cases for both adults and juveniles. It is the largest consumer of appellate court services in the state.

Due to a steady growth in the number of appeal cases, transcripts funding continues to cause pressure for the Appellate office. In November of 2005 the office ran out of funding to pay for transcripts. This is a direct result of the increased number of cases that the Appellate office is handling, the courts increasing the per page rate of court reporter fees, a change in Court Rules that eliminated mandatory transcripts, and longer sentences.

In FY 2006, the transcript budget for the Appellate Office was $300,000. The actual expenditures for transcripts exceeded $820,000. At present, the appellate office will likely run out of money for transcripts in January.

Relationship to Base Budget
The office does not have the funding for the increased transcript costs. The board is requesting funding to continue to pay court reporter invoices as they come due.

Key Measures
- 27% increase in appeals 2004-2006
- Per page rate increase of court reporter fees
- Court Rule eliminating mandatory transcripts
- Imposed longer sentences

Statutory Change: Not Applicable.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,472	$5,043	$5,043	$5,043
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,472	$5,043	$5,043	$5,043

Recommendation
The Governor recommends a general funding increase of 4% per fiscal year for the major judicial branch agencies to recognize compensation-related, caseload, and other cost pressures in the criminal justice area. The Governor makes no specific recommendations on judicial branch agency change requests.

Background
The Governor respects the separation of powers and the desire of officials in the judicial branch and legislative branches and other constitutional officers to independently present their requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete and balanced budget.

Relationship to Base Budget
Base funding for judicial branch agencies in the FY 2008-09 biennium is $687 million. The funding increase recommended is about 6.1% for the biennium.

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STATE OF MINNESOTA
BOARD OF PUBLIC DEFENSE

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Chief Administrator

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January 22, 2007

To: 2007 Minnesota Legislature

The purpose of this correspondence is to forward to you the 2008-2009 biennial budget request for the Board of Public Defense. The Board is facing some critical issues as we head into the 2008-2009 biennium. At its September meeting the Board of Public Defense approved a budget request to address a number of these issues. The recommendation is in three individual budget requests

DISTRICT PUBLIC DEFENDER VIABILITY
This request is an attempt to maintain the public defender system. The request would address the following issues; $6.4 million biennial shortfall; double digit caseload growth; caseloads nearly double the Board's adopted caseload standards; staffing of 18 existing drug courts; salary parity for public defenders and staff with the average salary of county attorneys and staff in the counties where most public defender cases occur; relieving part time defenders of having to bear the expense of data entry related to case opening/closing and time reporting, and the continued existence of public defense corporations.

Appellate Office
The Appellate Office continues to labor under heavy and dramatically increasing caseloads. These caseloads are brought about by factors totally outside the control of the office. The increase in caseloads and more complicated cases means that the office is finding it more and more difficult to meet the deadlines of the Court. This results in extensions and delays in the court system.

Between fiscal year 2004 and 2006 the number of appellate cases where a brief was filed increased by 15%, sex offender notification hearings increased by 24%, and parole revocation hearings increased by 29%. During this same time period the number of cases that were appealed to an Administrative Law Judge increased by 80%.

Transcript funding continues to plague the office. In November of 2006 the office ran out of funding to pay for transcripts. This is a direct result of the increased number of the cases that the office is handling, the Court increasing the per page rate of court reporter fees, a change in Court Rules that eliminated mandatory transcripts, and longer sentences

Supreme Court Task Force on Public Defender Representation in CHIPS Cases/ Children's Justice Initiative

In 2005 the Legislature established a task force to " study and make recommendations on the appropriate assignment and use of limited public defender resources …" The findings of the task force were that " **In order to achieve appropriate assignment and use of limited public defender resources to represent children, parents, Indian custodians and legal guardians in child protection, permanency, and termination of parental rights matters, the Workgroup recommends that the Legislature immediately increase Public Defender funding".** The task force went on to say that if funding was not available, **"… public defender participation in child protection, permanency and termination of parental rights cases will be required to be restricted…"**

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In order to meet the task force's objectives and ensure that adequate resources are provided to these cases, the Board is proposing to establish juvenile divisions in each of the ten Judicial District Public Defender Offices as well as the Appellate Office.

While there is no statutory requirement to do so, the Board has represented custodial parents in these cases. The representation of parties in CHIPS and Termination of Parental Rights (TPR) cases has taken up an ever-increasing proportion of staff time and resources. In calendar year 1995 public defenders were appointed to 4,055 Child In Need of Protective Service (CHIPS) cases, and TPR cases. By FY 2006 that number had increased to just over 9,000.

Over the past five years the Supreme Court has implemented the Children's' Justice Initiative (CJI). The CJI emphasizes the urgency of responding to child welfare cases much more quickly, and with much better standards of practice. It includes a best practices guide for CHIPS cases. This includes guidelines for attorney time and resources devoted to each stage of a CHIPS case.

With the increased caseloads and increased demands of the CJI, the Board does not have the resources to continue to provide non-mandated services, let alone meet the expectations of the CJI.

Secondly, the task force and the CJI would like to have public defenders represent non-custodial parents (currently not represented in most parts of the state). This would require the addition of 61 FTE attorneys and associated staff.

Finally, the state currently does not provide funding for appeals in termination of parental rights (TPR cases). This remains a county responsibility. In its 2001 report the Supreme Court Task Force on Civil Representation noted that **"the current delivery system of providing court appointed counsel does not adequately address the need for appellate representation…" With a fragmented system, there are a very low percentage of cases that are appealed.** This would require the addition of four FTE attorneys and one legal secretary position.

If you have any questions or concerns please do not hesitate to contact me.

Sincerely,

Kevin Kajer
Chief Administrator

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Fiscal Impact ($000s)	FY 2007	FY 2008	FY 2009	FY 2010
General Fund				
Expenditures	$200	0	0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$200	0	0	$0

Request
The Board of Public Defense requests $200,000 in FY 2007 as a deficiency request to deal with the increased transcript costs.

Background
The Appellate Office handles appeals for indigents in felony and gross misdemeanor cases for both adults and juveniles. It is the largest consumer of appellate court services in the state.

Due to a steady growth in the number of appeal cases, transcripts funding continues to plague the Appellate office. In November of 2005 the office ran out of funding to pay for transcripts. This is a direct result of the increased number of cases that the Appellate office is handling, the court increasing the per page rate of court reporter fees, a change in Court Rules that eliminated mandatory transcripts, and longer sentences.

In FY 2006, the transcript budget for the Appellate Office was $300,000. The actual expenditures for transcripts exceeded $820,000. At present, the appellate office will likely run out of money for transcripts in January.

Relationship to Base Budget
The office does not have the funding for the increased transcript costs. The board is requesting funding to continue to pay court reporter invoices as they come due.

Key Measures
- 27% increase in appeals 2004-2006
- Per page rate increase of court reporter fees
- Court Rule eliminating mandatory transcripts
- Imposed longer sentences

Alternatives Considered
The public defender system does not and cannot control the number of appealed cases, or the cost per page of transcripts. These variable are controlled by external circumstances, such as: the constitutional mandates, Supreme Court Rules and decisions, statutory changes, and court policy all of which the board has no control over. If the Appellate Office is unable to provide court reporters with a guarantee of payment, it is possible that a significant number of reporters will refuse transcript orders, compromising the rights of our clients and stopping the Appellate court process.

Statutory Change: Not Applicable.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$10,922	$13,650	$13,650	$13,650
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$10,922	$13,650	$13,650	$13,650

Request
The Board of Public Defense requests $24.572 million in FY 2008-09 for district public defender viability.

Background
This request is an attempt to comply with the lawyers' board and American Bar Association (ABA) standards and to maintain Minnesota's cost effective part time model of service delivery. The request would address the issues that most threaten the viability of the public defender system. These issues include; a projected $1.6 million annual deficit for FYs 2008 and 2009; double digit caseload increases; caseloads almost double the board and ABA standards; part-time public defender time commitments; the establishment of specialty courts; and, lagging salaries.

The board does not and cannot control its caseload. The board must provide the services specified in statute. The Minnesota State Supreme Court (Dzubiak v Mott) has recognized that a public defender "may not reject a client…" At the same time The Lawyers Professional Responsibility Board holds public defenders to the same ethical standards as private attorneys in regard to the handling of cases. In addition an ABA formal opinion regarding attorneys who represent indigent criminal defendants states that:*" If workload prevents a lawyer from providing competent and diligent representation to existing clients, she must not accept new clients…Once the lawyer is representing a client the lawyer must move to withdraw from representation if she cannot provide competent and diligent representation"….Lawyer supervisors, including heads of public defenders' offices …must make reasonable efforts to ensure that the other lawyers in the office conform to the Rules of Professional Conduct."* And that *"workloads do not exceed a level that may be competently handled by individual lawyers."*

The board is facing a $6.4 million shortfall over the next biennium. The main factors affecting the shortfall include, past personnel cost increases, increases for 2008-2009, filling of vacation positions,(to keep courts running), mandated increase in the employer contribution for retirement as well as increased costs related to rent increases, mileage, and overhead expenses for part time defenders. The board is requesting funding to address this shortfall. If the shortfall is not addressed and public defender positions are not filled the court system will be seriously impacted. It is estimated that public defenders handle approximately 85% of all serous criminal cases in the state. In both criminal and juvenile court the entire criminal justice system stops while waiting for public defenders. More and more part time public defenders find it difficult to continue to provide these services. Under this stress and without additional resources the public defense system is in serious jeopardy of failing, and with it the prosecution and court functions.

At the same time that the board is facing a shortfall, serious cases continue to increase dramatically. Between FY 2004 and FY 2006 serious cases have increased dramatically. During this time felony cases are up 16%, gross misdemeanors 11% child protection cases 10% and probation violations have increased 11%. The result is that caseloads now average 744 case units per FTE. (A case unit is the equivalent of a misdemeanor) Board and ABA standards call for a defender to handle no more than 400 units. In addition, during 2006 part time public defenders provided more than 36,000 uncompensated hours. With the increased emphasis on crime prevention especially in the area of sex offenses and meth, these numbers will continue to grow. Many counties have added additional prosecutors to their staffs. The state is deploying 10 new meth agents across Minnesota, and will be enlisting the state patrol to combat meth. The board is requesting 34 new FTE attorneys to address the growth in caseloads, equalize caseloads and support staff across the state, and to begin bringing caseloads down to a more manageable level.

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In addition, to the increased caseloads, additional court calendars (18 operating drug courts, added in 2003-2004) continue to hamper the board's ability to provide adequate services to clients and the court in criminal cases. The establishment of drug court and the requirements of the court dictate that staff is assigned specifically to that court. This places a burden on the public defender system since a defender is taken out of the regular calendar of cases, thereby reducing the "economy of scale" in the regular court and putting an extra burden on the remaining defenders. In many counties court must be stopped because of a lack of public defenders. The board is requesting 11 new FTE attorneys to provide service in existing specialty courts. Despite the establishment of 18 new drug courts, and mental health courts since 1997 no new funding has been provided to public defense to staff these court rooms.

As mentioned above, part time public defenders provided 36,000 uncompensated hours in FY 2006. In addition, part time defenders are required to open and close case-files and enter time and case data into the board's MIS system. This is not an efficient use of resources. If the part time defender's private staff enters the information they are not paid for this and it is a cost to the part time defender. The request would fund eleven data entry clerks in multi-county districts who could open and close case files.

In recent years the board has not received funding for salary and benefit increases. Insurance costs alone have risen 72% in the last five years (anticipated to increase 10% in January 2007.) The result has been an inability to fund positions, and salaries that are significantly lower than other state funded lawyers, or county attorneys. Salaries of public defenders continue to lag behind those of other state funded lawyers, or county attorneys. This combined with the high caseloads has led to increased turnover in public defender staff. Turnover among the attorney staff increased 50% between 2004 and 2006. Turnover, delays in hiring and the hiring of new staff are inefficient and contribute to delay in the courtroom. The board is requesting funding to raise salaries of public defenders and staff to the average level of those county attorneys in the counties where a majority of public defender cases occur, and to provide for personnel cost increases for county employees under the board's jurisdiction.

The five public defense corporations provide cost-effective quality legal defense services primarily to the state's minority communities. These cases (approximately 5,000) would otherwise be public defender cases. The request would provide funding to maintain current staff, by providing a 3.5% adjustment on the corporations' grant amounts, and an increase that the board could use to address funding inequities that the board inherited.

Relationship to Base Budget

The annual base budget for District Public Defense is $55.6 million

Key Measures

- Serious cases increasing at double digit rates
- Caseloads almost double board and ABA standards.
- No early entry into cases.
- Criminal justice system delayed or stopped.
- Staff salaries lower than other similar state employees

Alternatives Considered

The public defender system does not and cannot control its client intake or workload. Increased costs will continue to strain district budgets. Without funding, positions will go unfilled, and layoffs will occur. In many instances this will bring the court system to a standstill, as there will be no public defender services available in various courtrooms.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$588	$572	$572	$572
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$588	$572	$572	$572

Request

The Board of Public Defense requests $1.16 million in FY 2008-09 for continuing operations of the appellate office.

Background

The Appellate Office continues to labor under heavy and dramatically increasing caseloads. From FY 2004 to FY 2006, the number of appellate files increased by 15%; sex offender notification hearings increased by 24% and parole revocation hearings by 29%. During this same time period the number of sex offender notification cases that were appealed to an Administrative Law Judge increased by 80%.

These caseloads are brought about by factors totally outside the control of the office. The increased caseloads and more complicated cases means that the office is finding it more and more difficult to meet court imposed deadlines. This results in extensions and delays in the court system.

The state's prison population is increasing dramatically. (27% between FY 2002 and FY 2006) As this population increases so do appeals, post conviction cases, supervised release/parole violations, and community notification hearings. As more individuals are incarcerated for longer periods of time appeals become more frequent and more complicated

In addition to the caseload increases, in March 2006 the Minnesota Supreme Court issued a decision in Deegan v. State. It requires the appellate office to provide counsel in every post conviction case in which a defendant has not already had appellate review. Previously, the appellate office was able to rely on M.S. 590.05 to exercise its judgment in whether to proceed with these cases. Under “Deegan”, the appellate office no longer has that authority.

Transcript funding continues to plague the appellate office. In most cases a transcript and three certified copies of the of trial level proceedings must be ordered. In November of 2005 the office ran out of funding to pay for transcripts. This is a direct result of the increased number of cases that the office is handling, the ourt increasing the per page rate of court reporter fees, a change in Court Rules that eliminated mandatory transcripts, and longer sentences. In FY 2006, the transcript budget for the Appellate Office was $300,000. The actual expenditures for transcripts exceeded $820,000.

The board is requesting $588,000 in FY 2008, and $572,000 in FY 2009 to fund four attorney positions, one secretarial position. Included in the request is an additional $200,000 annually for transcript costs

Under a 1996 law the Appellate Office represents clients in community notification hearings for sex offenders. In the past the Office of the State Public Defender only represented those individuals recommended for Level II or III. (About 40% of offenders.) The office has seen these numbers increase dramatically. Review of Level I and II offenders who violate parole, and the automatic referral of all Level III offenders for possible civil commitment will increase the number and length of these hearings. As mentioned, the number of these cases increased 24% between FY 2004 and FY 2006, and the number of cases appealed to an Administrative Law Judge increased by 80%.

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The board is requesting funding to provide four additional attorney positions, one secretarial position, and funding for transcripts to address the increased cased loads and to keep the appellate court system running.

Relationship to Base Budget

The office does not have the funding for the increased caseloads, or increased emphasis on sex offender notification hearings. The board is requesting funding to keep up with the demand of increased sex offender notification hearings, and the increased number of appeals and parole revocation hearings.

Key Measures

- 24% increase in community notification hearings 2004-2006
- 27% increase in appeals 2004-2006
- 29% increase in parole revocation hearings 2004-2006
- 27% increase in DOC inmate population 2002-2006.
- 80% increase community notification cases appealed to an ALJ

Alternatives Considered

The public defender system does not and cannot control its client intake or workload. These important variables are controlled by external circumstances, such as; police and prosecution patterns, constitutional mandates, Supreme Court Rules and decisions, statutory changes, court policy all of which the board has no control of. The only recourse is to continue to ask the Court of Appeals and Supreme Court for extensions of their time lines, thus delaying the judicial process.

Statutory Change: Not Applicable.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$11,476	$11,480	$11,480	$11,480
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$11,476	$11,480	$11,480	$11,480

Request

The Board of Public Defense requests $22.956 million in FY 2008-09 for CHIPS (Children in Need of Protective Services) cases/Children's Justice Initiative.

Background

While there is no statutory requirement to do so, the Board has represented custodial parents in these cases. The representation of parties in CHIPS and Termination of Parental Rights (TPR) cases has taken up an ever-increasing proportion of staff time and resources. In calendar year 1995 public defenders were appointed to 4,055 Child In Need of Protective Service (CHIPS) cases, and TPR cases. By FY 2006 that number had to just over 9,000.

In 2005 the Legislature established a task force to " study and make recommendations on the appropriate assignment and use of limited public defender resources …" The findings of the task force were that " **In order to achieve appropriate assignment and use of limited public defender resources to represent children, parents, Indian custodians and legal guardians in child protection, permanency, and termination of parental rights matters, the Workgroup recommends that the Legislature immediately increase Public Defender funding".**

In order to meet the task force's objectives and ensure that adequate resources are provided to these cases, the Board is proposing to establish juvenile divisions in each of the 10 Judicial District Public Defender Offices as well as the Appellate Office. The funding would "provide the following essential services: Public Defenders will represent children over 10 and parents during pre-petition processes, upon request; Public Defenders will represent children over 10 and parents from the point of filing of any petition through the post-trial motion period, and will represent Indian children, parents and Indian custodians as required by the Indian Child Welfare Act (ICWA) and the Minnesota Indian Family Preservation Act; Public Defenders will continue active participation in Children's Justice Initiative efforts; and The State Public Defender will represent eligible parents in appeals."

Over the past five years the Supreme Court has implemented the Children's' Justice Initiative (CJI).). The "CJI," emphasizes the urgency of responding to child welfare cases much more quickly, and with much better standards of practice. It includes a best practices guide for CHIPS cases. This includes guidelines for attorney time and resources devoted to each stage of a CHIPS case.

With the increased caseloads and increased demands of the CJI, the board does not have the resources to continue to provide non-mandated services, let alone meet the expectations of the CJI. The challenge the board is facing is to find the attorney time to carry out the "best practices", for example, doubling the number of minutes scheduled for a CHIPS hearing while moving the case forward on the CJI's accelerated court calendar. Based on the time commitments outlined in the CJI, there would be a need for an additional 203,000 hours of attorney time to meet the CJI protocol.

The request is comprised of three separate parts. The first would provide funding for attorneys and associated support staff to meet the protocol of the CJI in representing children over 10 years of age and custodial parents (The additional 203,000 hours of attorney time). To meet the protocol would require 44 new FTE attorneys and associated support staff.

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Secondly, the task force and the CJI would like to have public defenders represent non-custodial parents (currently not represented in most parts of the state). Data from the Trial Court Information System (TCIS) and the board's Weighted Case Load Study, (WCLS) indicate that there would be a need for 58 FTE attorneys and associated support staff to represent non-custodial parents in CHIPS cases.

Finally, the state currently does not provide funding for appeals in TPR cases. This remains a county responsibility. In its 2001 report the Supreme Court Task Force on Civil Representation noted that "the current delivery system of providing court appointed counsel does not adequately address the need for appellate representation…" With a fragmented system, there are a very low percentage of cases that are appealed. Based on current appellate services it is estimated that there would be a need for an additional four FTE attorneys and one FTE legal secretary to service appeals in TPR cases.

Relationship to Base Budget

The agency does not currently have funding for these services.

Key Measures

- Speed resolution of child welfare cases
- Provide resources for better outcomes for children
- 203,000 hours of attorney time needed
- Provide quality services to children and parents throughout the state
- 3,000 potential non custodial parents

Alternatives Considered

The Task Force recognized the problem that the board is facing. In its recommendations the Task Force acknowledged that if public defender funding is not increased, "… public defender participation in child protection, permanency and termination of parental rights cases will be required to be restricted…"

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Grants:					
Gift	87	0	52	52	104
Other Revenues:					
Gift	3	0	0	0	0
Total Dedicated Receipts	**90**	**0**	**52**	**52**	**104**
Agency Total Revenue	**90**	**0**	**52**	**52**	**104**

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Agency Purpose

Established by legislative act in 1931, the Public Employees Retirement Association (PERA) of Minnesota administers four public employee retirement plans in accordance with M.S. sections 353, 353A, 353D, 353E and 356. PERA's membership includes employees of cities, counties, schools, other local governments, and retired annuitants. In addition, PERA works with 2,100 separate governmental employers within the state, as defined in M.S. 353.01 subd. 6.

PERA's purpose is to create opportunities for members to achieve a successful and secure retirement by providing the highest quality benefits and services. PERA's vision is to provide on-demand access to reliable pension information and superior customer service.

Core Functions

PERA is under the direction of an executive director responsible to a policy-setting 11-member Board of Trustees. Core functions include:

- collecting and managing retirement contributions;
- collecting and managing member information;
- issuing benefit and refund payments; and
- delivering education and training.

Operations

PERA administers four separate funds. Each has specific membership, contribution, benefit, and pension provisions.

⇒ The Public Employees Retirement Fund (PERF) encompasses two plans. The Basic plan includes employees who are not covered by Social Security, and was closed to new members in 1968. The Coordinated plan, created in 1968, provides retirement and other benefits in addition to those supplied by Social Security.

⇒ The Public Employees Police and Fire Fund (PEPFF), originally established in 1959 for police officers and firefighters not covered by a local relief association, now encompasses all police officers and firefighters hired since 1980.

⇒ The Local Government Correctional Service Retirement Fund (PECF), created in 1999, covers correctional officers serving in county and regional adult and juvenile correctional facilities.

⇒ The Public Employees Defined Contribution Plan was established in 1987 to provide a retirement plan for ambulance service personnel, but has been expanded to encompass physicians, elected officials (except county sheriffs), city managers, and volunteer fire fighters.

Contributions

Member contributions, employer contributions, and investment earnings cover the liability for present and future benefits. Each membership category within the association has a specific contribution rate set by statute. The rates for the Coordinated Plan and Police and Fire Fund are scheduled to increase incrementally beginning 1/1/2006 until 1/1/2010. Contribution rates as of 6/30/2005 were:

At A Glance

(As Reported in the Fiscal Year 2005 CAFR)

PERA is the administrator of three cost-sharing, multiple-employer retirement plans, and one multiple-employer defined contribution plan.

PERA does not receive direct state appropriations. Income is derived solely from member and employer contributions plus investment earnings. Income exceeding benefits paid is reinvested in the plan to cover future benefits.

Annual Business Processes:

Benefits Paid (in thousands)	
Benefits	$967,513
Refunds	207,274
Membership Counts	
Active members	155,890
Deferred members	37,610
Annuitants	63,445
Funding Ratio	
PERA Coordinated	74.5%
Police and Fire Fund	97.2%
Correctional Fund	90.1%

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Fund	Employee Contribution	Employer Contribution
PERA Basic Plan	8.75%	11.43%
PERA Coordinated Plan	5.10%	5.53%
Police and Fire Fund	6.20%	9.30%
Correctional Fund	5.83%	8.75%

Pension Benefits
Each membership category has similar benefits. Retirement, survivor, and disability pensions are available to members who meet certain eligibility requirements defined by their plan. In addition, refunds of contributions are available at any time to members who leave public service and are not receiving a pension.

Key Measures
Two important measures of the health of a retirement system are the level of funding and the contribution sufficiency or deficiency. The better the level of funding, the larger the ratio of assets to accrued liabilities and a higher degree of assurance that promised pension benefits are secure. A contribution sufficiency means that member and employer contribution rates are high enough to fully fund the promised pension benefits by the date set in statute while a contribution deficiency indicates that the rates do not cover the cost of the promised pension benefits The figures shown are as of 6/30/05 and do not reflect future contribution rate increases.

Fund	Funding Ratio	Sufficiency/Deficiencies
PERA Basic & Coordinated Plan	74.5%	(1.67)%
Police & Fire Fund	97.2%	(7.74)%
Correctional Fund	90.1%	1.53%

Budget
PERA operates within a dedicated pension trust fund designed for the exclusive use of its members and beneficiaries. The commissioner of the Department of Finance maintains an open appropriation account to fund expenditures. PERA FY 2007 expenditures are budgeted at $900 million for the PERF, $350 million for the PEPFF, $2.3 million for the PECF, and $1.4 million for the PEDCP. Over 98% of the expenditure budget is for the payment of benefits and refunds. The PERA Board of Trustees annually approves an operating budget for administrative expenses. For FY 2007, administrative expenses are budgeted at $11.4 million. PERA revenues for FY 2007 are expected to be about $624 million, exclusive of investment income that may be earned.

Contact

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Saint Paul, Minnesota 55103

1 (800) 652-9026
Phone: (651) 296-7460

Or visit our web site at www.mnpera.org

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Open Appropriations					
Public Employees Retirement	786,303	850,000	910,000	980,000	1,890,000
Pera Correctional Plan	1,968	2,200	2,300	2,500	4,800
Police And Fire	265,665	295,000	335,000	375,000	710,000
Statutory Appropriations					
Pera Defined Contribution Plan	1,391	1,600	1,600	1,600	3,200
Retirement System Building	910	1,303	1,330	1,355	2,685
Total	**1,056,237**	**1,150,103**	**1,250,230**	**1,360,455**	**2,610,685**
Expenditures by Category					
Total Compensation	6,112	6,150	6,600	6,700	13,300
Other Operating Expenses	3,821	5,241	5,268	5,293	10,561
Other Financial Transactions	1,046,304	1,138,712	1,238,362	1,348,462	2,586,824
Total	**1,056,237**	**1,150,103**	**1,250,230**	**1,360,455**	**2,610,685**
Expenditures by Program					
Publc Empl Retr Asn	1,056,237	1,150,103	1,250,230	1,360,455	2,610,685
Total	**1,056,237**	**1,150,103**	**1,250,230**	**1,360,455**	**2,610,685**
Full-Time Equivalents (FTE)	**88.7**	**91.0**	**93.0**	**93.0**	

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Other Revenues:					
Pera Defined Contribution Plan	2,658	2,800	3,000	3,100	6,100
Public Employees Retirement	493,982	545,000	600,000	655,000	1,255,000
Pera Correctional Plan	19,438	21,000	22,000	23,000	45,000
Police And Fire	112,805	120,000	135,000	150,000	285,000
Total Non-Dedicated Receipts	**628,883**	**688,800**	**760,000**	**831,100**	**1,591,100**
Dedicated Receipts:					
Other Revenues:					
Retirement System Building	865	1,303	1,330	1,355	2,685
Total Dedicated Receipts	**865**	**1,303**	**1,330**	**1,355**	**2,685**
Agency Total Revenue	**629,748**	**690,103**	**761,330**	**832,455**	**1,593,785**

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➲ Designates that this item is a change item

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Office of the Commissioner

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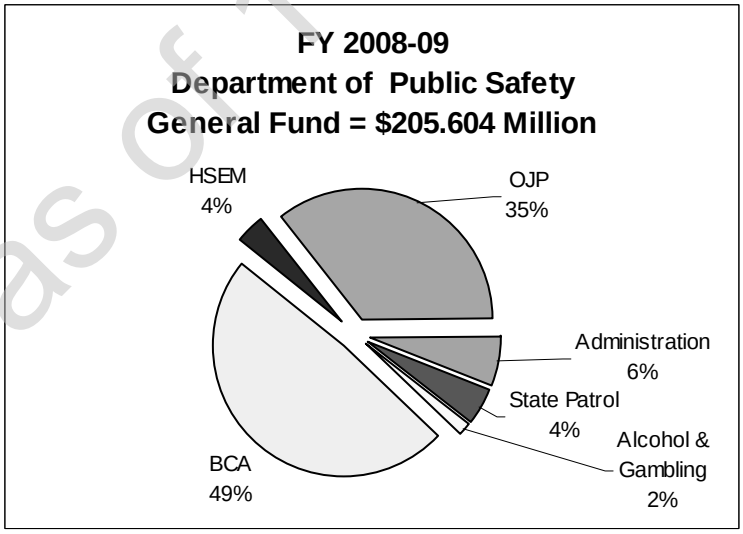
January 22, 2007

To the 2007 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Public Safety's budget recommendation for the FY 2008-09 biennium. Regardless of where you live in Minnesota, our dedicated public servants work to keep you safe through prevention, preparedness, response, recovery, and education and enforcement efforts. This budget proposal enhances current efforts and further strengthens Minnesota's public safety infrastructure.

The Governor's budget recommendation for the Department of Public Safety for the 2008-09 biennium is $605.079 million in direct appropriations. This budget consists of $205.604 million from the state's General fund and $399.475 million from all other funds and is a 22.3% increase from FY 2006-07 spending. The funding for DPS is comprised of 28% in Trunk Highway Funds, 34% State General Funds, 35% Special Revenue Funds, and 3% from the Highway User Tax Distribution Fund.



In addition to funding recommendations for the important day-to-day programs offered throughout the agency, the Governor proposes some significant enhancements to further improve public safety in Minnesota and addresses customer needs. New funding investments are recommended for:

- The completion and statewide implementation of the ARMER system that allows emergency responders at a major disaster or public safety event to communicate with each other on the same radio frequency
- Forty additional State Troopers to patrol and respond to incidents on Minnesota roadways
- Twenty additional forensic scientists at the Bureau of Criminal Apprehension to reduce case processing time
- Moving the nation-leading CriMNet project toward completion
- Assisting crime victims and their families
- The Gang and Drug task forces
- Enhancing the data security and disaster recovery efforts of our agency
- Safe Schools Center to develop and promote best practices to ensure safe school environments

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I am proud of the excellent work that is conducted day in and day out by our dedicated employees. I believe that this budget allows us to continue our important work and address the significant public safety concerns facing Minnesota. I welcome the opportunity to discuss these proposals with you in the coming months.

Sincerely,

Michael Campion
Commissioner

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Agency Purpose

The mission of the Department of Public Safety (DPS) is simple – to protect Minnesota with a commitment to excellence by promoting safer communities through:

- prevention
- preparedness
- response
- recovery
- education
- enforcement

We do this by focusing on:

- saving lives
- providing efficient and effective services
- maintaining public trust
- developing strong partnerships

At A Glance

The Driver and Vehicle Services Division processes over five Million vehicle transactions each year.

The State Patrol made 7,036 driving While Impaired (DWI) arrests in 2005; which is an increase of 168% since 1975.

The Bureau of Criminal Apprehension examined 15,924 cases in FY 2005; this was an increase of 27% since FY 2004.

More than 375 locally-based crime victim programs received funding, and provided services to approximately 130,000 individuals in FY 2005.

From 1975 to 2005, the number of traffic-related deaths fell 28% and severe injuries fell over 86%.

Three hundred thirty nine fire investigations were conducted by the State Fire Marshal's Office in 2005; 126 of these were determined to be arson.

Core Functions

The DPS provides a variety of core services statewide to support the goal of keeping Minnesotans safe. These core services include:

- enforcing liquor and gambling laws;
- conducting criminal investigations and forensic science analysis;
- administering driver and vehicle services;
- coordinating emergency planning and response for disasters and acts of terrorism;
- promoting fire safety;
- ensuring safety of natural gas and hazardous liquid pipeline systems;
- enforcing traffic laws on Minnesota highways;
- promoting safety on roadways and reducing traffic injuries and fatalities;
- providing advocacy, services, and financial assistance to crime victims;
- administering justice assistance and crime prevention grant programs; and
- administering the statewide 9-1-1 program, and distributing funds for the statewide trunked radio system.

DPS works to ensure that these core functions incorporate innovation, stewardship, collaboration, and communication.

The DPS took on a new role after 9-11-2001, as Minnesota's Office of Homeland Security. The department oversees the coordination of preparedness and response plans and resources, and serves as a link from the federal government to local public safety agencies. Under Governor Tim Pawlenty, Commissioner Michael Campion serves as the Director of Homeland Security.

Operations

Service to the citizens of Minnesota is the DPS's number one priority. However, the department's efforts also impact federal, state, and local criminal justice agencies, fire service agencies, emergency management, licensing and inspection agencies, other government agencies, and private and nonprofit organizations. Nine separate divisions within the department provide direct services to the public.

Alcohol and Gambling Enforcement enforces liquor licensing and gambling laws through compliance checks, assistance to local agencies with criminal investigations, and efforts to combat underage drinking.

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Bureau of Criminal Apprehension provides complete investigative assistance to local agencies, forensic laboratory services, criminal history information, and training to peace officers.

Driver and Vehicle Services provides vehicle registration, driver's license, and driver evaluation services. Driving records and accident reports are also maintained.

Homeland Security and Emergency Management coordinates disaster preparedness, response, recovery, and mitigation for homeland security, natural, and other types of major emergencies and disasters.

State Fire Marshal and Pipeline Safety protects human lives and property by promoting fire prevention and pipeline safety through inspections, investigations, and public education.

State Patrol enforces traffic laws on Minnesota's highways, responds to crashes, inspects commercial vehicles, and assists local law enforcement.

Traffic Safety administers programs and grants that reduce the number and severity of traffic crashes in Minnesota including programs such as alcohol awareness, safety belt promotion, and motorcycle training.

Office of Justice Programs was created by executive order of the governor in May 2003, and brings together programs formerly operated through Minnesota Planning and the Office of Crime Victim Ombudsman, and the departments of Public Safety, Education and Economic Security. The office provides leadership and resources to reduce crime, improve the functioning of the criminal justice system, and assist crime victims. This office also provides grant administration, criminal justice information and research, and assistance and advocacy to crime victims.

911 Emergency Services/ARMER oversees the 9-1-1 System standards; provides technical assistance to cities and counties to implement and improve 9-1-1; manages and distributes funds to provide for 9-1-1 service, and distributes funds for the regional public safety trunked radio system.

DPS also has five internal support divisions that provide services relating to communication, fiscal administration, human resource management, internal affairs, and technical support.

Contact

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For information on how this agency measures whether it is meeting its statewide goals, please refer to http://www.departmentresults.state.mn.us

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	5,851	6,297	6,297	6,297	12,594
Recommended	**5,851**	**6,297**	**11,721**	**10,196**	**21,917**
Change		0	5,424	3,899	9,323
% Biennial Change from 2006-07					80.4%
Misc Special Revenue					
Current Appropriation	45,663	44,968	44,968	44,968	89,936
Recommended	**45,663**	**44,968**	**47,950**	**49,038**	**96,988**
Change		0	2,982	4,070	7,052
% Biennial Change from 2006-07					7%
Trunk Highway					
Current Appropriation	73,377	73,338	73,338	73,338	146,676
Recommended	**73,377**	**73,338**	**80,916**	**85,166**	**166,082**
Change		0	7,578	11,828	19,406
% Biennial Change from 2006-07					13.2%
Highway Users Tax Distribution					
Current Appropriation	8,443	8,513	8,513	8,513	17,026
Recommended	**8,443**	**8,513**	**8,813**	**9,113**	**17,926**
Change		0	300	600	900
% Biennial Change from 2006-07					5.7%
Expenditures by Fund					
Direct Appropriations					
General	4,774	6,322	11,721	10,196	21,917
Misc Special Revenue	39,033	45,703	46,789	47,877	94,666
Trunk Highway	68,150	75,187	80,916	85,166	166,082
Highway Users Tax Distribution	6,062	8,242	8,813	9,113	17,926
Statutory Appropriations					
General	911	953	985	1,014	1,999
State Government Spec Revenue	993	1,406	1,406	1,406	2,812
Misc Special Revenue	10,519	12,690	11,264	11,011	22,275
Trunk Highway	199	60	55	55	110
Federal	33,298	43,316	29,961	29,579	59,540
Reinvest In Minnesota	9	10	10	10	20
Miscellaneous Agency	0	1,975	3,950	3,950	7,900
Gift	69	143	60	60	120
Total	**164,017**	**196,007**	**195,930**	**199,437**	**395,367**
Expenditures by Category					
Total Compensation	100,357	111,480	115,592	120,961	236,553
Other Operating Expenses	44,592	54,341	55,742	53,718	109,460
Payments To Individuals	1,469	1,584	1,731	1,899	3,630
Local Assistance	17,560	26,716	16,991	16,985	33,976
Other Financial Transactions	39	1,886	3,756	3,756	7,512
Transfers	0	0	2,118	2,118	4,236
Total	**164,017**	**196,007**	**195,930**	**199,437**	**395,367**

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Program					
Admin & Related Services	11,161	11,676	17,499	16,053	33,552
State Patrol	88,429	96,140	100,051	104,019	204,070
Driver & Vehicle Services	44,793	57,807	57,608	58,554	116,162
Traffic Safety	17,719	28,387	18,454	18,454	36,908
Pipeline Safety	1,915	1,997	2,318	2,357	4,675
Total	**164,017**	**196,007**	**195,930**	**199,437**	**395,367**
Full-Time Equivalents (FTE)	**1,487.2**	**1,560.3**	**1,602.9**	**1,622.2**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**6,297**	**6,297**	**6,297**	**12,594**
Technical Adjustments				
Current Law Base Change		147	315	462
One-time Appropriations		(312)	(312)	(624)
Subtotal - Forecast Base	**6,297**	**6,132**	**6,300**	**12,432**
Change Items				
IT Security & Disaster Recovery	0	3,846	2,162	6,008
Security Coord- Republican National Conv	0	110	28	138
Capitol Security Increase	0	1,500	1,500	3,000
Compensation Adjustment	0	133	206	339
Total Governor's Recommendations	**6,297**	**11,721**	**10,196**	**21,917**
Fund: MISC SPECIAL REVENUE				
FY 2007 Appropriations	**44,968**	**44,968**	**44,968**	**89,936**
Technical Adjustments				
One-time Appropriations		(91)	(125)	(216)
Subtotal - Forecast Base	**44,968**	**44,877**	**44,843**	**89,720**
Change Items				
Driver Services Operating Account	0	949	1,723	2,672
Vehicle Services Operating Account	0	731	869	1,600
License Plate Production	0	1,000	1,175	2,175
DL & Motor Veh. Records Coordinator	0	72	68	140
Pipeline Safety Funding Increase	0	264	255	519
Compensation Adjustment	0	57	105	162
Total Governor's Recommendations	**44,968**	**47,950**	**49,038**	**96,988**
Fund: TRUNK HIGHWAY				
FY 2007 Appropriations	**73,338**	**73,338**	**73,338**	**146,676**
Subtotal - Forecast Base	**73,338**	**73,338**	**73,338**	**146,676**
Change Items				
State Patrol Enhancements	0	3,395	4,988	8,383
Federal Match Increase-Traffic Safety	0	111	111	222
Compensation Adjustment	0	4,072	6,729	10,801
Total Governor's Recommendations	**73,338**	**80,916**	**85,166**	**166,082**
Fund: HIGHWAY USERS TAX DISTRIBUTION				
FY 2007 Appropriations	**8,513**	**8,513**	**8,513**	**17,026**
Subtotal - Forecast Base	**8,513**	**8,513**	**8,513**	**17,026**
Change Items				
License Plate Production	0	300	600	900
Total Governor's Recommendations	**8,513**	**8,813**	**9,113**	**17,926**

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
Planned Statutory Spending	**953**	**985**	**1,014**	**1,999**
Total Governor's Recommendations	**953**	**985**	**1,014**	**1,999**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	**1,406**	**1,406**	**1,406**	**2,812**
Total Governor's Recommendations	**1,406**	**1,406**	**1,406**	**2,812**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**12,690**	**11,181**	**10,904**	**22,085**
Change Items				
Trooper Escort & Aviation Rate Increases	0	83	107	190
Total Governor's Recommendations	**12,690**	**11,264**	**11,011**	**22,275**
Fund: TRUNK HIGHWAY				
Planned Statutory Spending	**60**	**55**	**55**	**110**
Total Governor's Recommendations	**60**	**55**	**55**	**110**
Fund: FEDERAL				
Planned Statutory Spending	**43,316**	**29,961**	**29,579**	**59,540**
Total Governor's Recommendations	**43,316**	**29,961**	**29,579**	**59,540**
Fund: REINVEST IN MINNESOTA				
Planned Statutory Spending	**10**	**10**	**10**	**20**
Total Governor's Recommendations	**10**	**10**	**10**	**20**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**1,975**	**3,950**	**3,950**	**7,900**
Total Governor's Recommendations	**1,975**	**3,950**	**3,950**	**7,900**
Fund: GIFT				
Planned Statutory Spending	**143**	**60**	**60**	**120**
Total Governor's Recommendations	**143**	**60**	**60**	**120**

Revenue Change Items

Fund: MISC SPECIAL REVENUE				
Change Items				
Trooper Escort & Aviation Rate Increases	0	83	107	190
Driver Services Operating Account	0	1,280	1,280	2,560
Vehicle Services Operating Account	0	975	1,050	2,025
License Plate Production	0	1,081	1,260	2,341
Eliminate Leasing Co. Partial Renewals	0	96	96	192
Pipeline Safety Funding Increase	0	264	255	519
Compensation Adjustment	0	57	105	162

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Budget Activities

⇒ Office of Communications
⇒ Public Safety Support
⇒ Technical Support Services

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	2,980	3,114	3,114	3,114	6,228
Technical Adjustments					
Current Law Base Change			147	315	462
Subtotal - Forecast Base	2,980	3,114	3,261	3,429	6,690
Governor's Recommendations					
IT Security & Disaster Recovery		0	3,846	2,162	6,008
Security Coord- Republican National Conv		0	110	28	138
Compensation Adjustment		0	4	10	14
Total	**2,980**	**3,114**	**7,221**	**5,629**	**12,850**
Trunk Highway					
Current Appropriation	5,938	5,938	5,938	5,938	11,876
Subtotal - Forecast Base	5,938	5,938	5,938	5,938	11,876
Governor's Recommendations					
Compensation Adjustment		0	100	203	303
Total	**5,938**	**5,938**	**6,038**	**6,141**	**12,179**
Highway Users Tax Distribution					
Current Appropriation	1,385	1,385	1,385	1,385	2,770
Subtotal - Forecast Base	1,385	1,385	1,385	1,385	2,770
Total	**1,385**	**1,385**	**1,385**	**1,385**	**2,770**
Expenditures by Fund					
Direct Appropriations					
General	2,055	2,470	7,221	5,629	12,850
Trunk Highway	5,586	6,290	6,038	6,141	12,179
Highway Users Tax Distribution	57	61	1,385	1,385	2,770
Statutory Appropriations					
Misc Special Revenue	1,539	2,025	2,052	2,080	4,132
Trunk Highway	0	7	0	0	0
Federal	1,924	823	803	818	1,621
Total	**11,161**	**11,676**	**17,499**	**16,053**	**33,552**
Expenditures by Category					
Total Compensation	5,623	6,673	7,131	7,217	14,348
Other Operating Expenses	4,107	3,443	6,543	4,843	11,386
Payments To Individuals	1,431	1,560	1,707	1,875	3,582
Transfers	0	0	2,118	2,118	4,236
Total	**11,161**	**11,676**	**17,499**	**16,053**	**33,552**
Expenditures by Activity					
Office Of Communications	2,438	1,434	1,409	1,439	2,848
Public Safety - Support	6,479	7,256	9,490	9,698	19,188
Technical Support Services	2,244	2,986	6,600	4,916	11,516
Total	**11,161**	**11,676**	**17,499**	**16,053**	**33,552**
Full-Time Equivalents (FTE)	**77.5**	**82.0**	**87.0**	**86.4**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$3,846	$2,162	$2,162	$2,162
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$3,846	$2,162	$2,162	$2,162

Recommendation

The Governor recommends $3.846 million in FY 2008 and $2.162 million in FY 2009 for information systems security and disaster recovery for the Department of Public Safety (DPS).

Background

The Department of Public Safety (DPS) has a critical role in protecting the public and its information every day and even more importantly during critical events. DPS must fully secure information so that it is available to those that are authorized to access this information and to keep it protected from those who are not authorized. The department has taken steps to address security, disaster recovery and business continuity within the constraints of existing budgets. Progress has been made, but as demand for electronic information and online access continues to increase and threats from unauthorized parties increase, the department must take stronger actions to secure systems on a daily basis. DPS must also assure continuous availability in the event a disaster disrupts operations of the department's information systems. Information systems at the department's downtown St. Paul location serve all divisions of Public Safety, including Driver and Vehicle Services (DVS), Bureau of Criminal Apprehension (BCA), Homeland Security and Emergency Management, State Fire Marshal, Pipeline Safety, Minnesota State Patrol, Office of Justice Programs, Alcohol and Gambling Enforcement, Office of Traffic Safety, POST Board and all administrative functions. Without DVS licensing and photo information, there would be a significant limitation on law enforcement organizations to carry out their duties in an efficient and safe manner. Email and directory services for all DPS divisions are hosted at Town Square in St. Paul. A loss of these services would seriously limit communications and limit availability of other systems and applications that depend on Town Square information systems infrastructure.

The funding requested would allow the DPS information security program to achieve a level that was recommended in an IT security assessment in 1999. The department has participated in statewide agency security assessments sponsored by the Office of Enterprise Technology and currently has an overall security ranking of 2.38 on a scale of 1-5. The senior management of the department has identified 3.8 as a security goal for DPS. The risk quantification tool that was used identified a reasonable security goal as 3.0 for DPS. This funding would provide resources to move the security score toward these goals.

Disaster Recovery and Business Continuity is a critical part of providing services to the public during crisis conditions. Having a Disaster Recovery Plan is required by a Governor's Executive Order and is required by the Division of Homeland Security in its State Emergency Plan. The requested funding would support the development of a comprehensive Disaster Recovery Plan and also ensure the continued testing, updating and maintenance of the plan so that it will serve its purpose if a disaster occurs that necessitates implementing the plan. Without adequate funding to support the plan, it quickly becomes obsolete and essentially useless in a crisis. DPS will collaborate with the Office of Enterprise Technology's (OET) Disaster Recovery planning team on the effort and will utilize the state's disaster recovery plan software to store and update the department's plan. This funding would allow the department to develop a robust DR plan, establish agreements with alternative work sites, exercise, test and critique the plan and update it on a schedule.

The funding would also provide resources to establish connectivity and infrastructure to allow immediate failover to another site for DPS systems that are supported at the downtown St. Paul location if a disaster event occurred that made those systems unavailable at that site.

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Relationship to Base Budget

The requested base appropriation in FY 2008 is $2.162 million and in FY 2009 it is $2.162 million.

Key Measures

Policies, Standards, Procedures and Guidelines will be developed, implemented, enforced and maintained by Security staff and tools provided by this funding enabling DPS to attain the recommended security rating of 3.0 as determined by Office of Enterprise Technology's statewide security assessment and will achieve a high level of risk mitigation in areas identified by DPS senior management

DPS will be in compliance with applicable information security policies and regulations.

A comprehensive Disaster Recovery/Business Continuity Plan will be developed, tested, and updated on a recurring basis, ensuring the availability of critical DPS systems during a crisis. The plan will provide for continuous operations of the designated downtown St. Paul mission critical IT business functions and be coordinated with the Homeland Security Disaster Recovery plan in the event of a disaster at the downtown St. Paul, Town Square location.

Annual audits of DPS Applications and Information Systems will report the level of security of those applications and systems and will reflect a trend towards a more secure environment.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	$449	$465	$465	$465	$465	$465
Supplies	18	18	18	18	18	18
Hardware	875	375	375	375	375	375
Software	426	426	426	426	426	426
Facilities						
Services	1,974	774	774	774	774	774
Training	104	104	104	104	104	104
Grants						
TOTAL	**$3,846**	**$2,162**	**$2,162**	**$2,162**	**$2,162**	**$2,162**

Statutory Change: Not Applicable.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$110	$28	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$110	$28	0	0

Recommendation
The Governor recommends funding for a security coordinator at the Department of Public Safety (DPS) to lead, coordinate and represent the interests of the state of Minnesota in the planning efforts related to the Republican National Convention coming to the state of Minnesota in September 2008.

Background
The metropolitan Twin Cities area was selected, from many sites who applied, by the Republican National Committee to be the site for the 2008 Republican National Convention. This event is a tremendous opportunity for the state of Minnesota that has with it many responsibilities. In preparation for this event representatives of the DPS have been briefed by members of the United States Secret Service and both the City of Saint Paul and Minneapolis on what to anticipate in terms of demands for state resources for this event. The information delivered was in the form of after action reports from both the 2004 Republican National Convention held in New York City and the 2004 Democratic National Convention held in Boston.

Minnesota will host thousands of visitors and national media attention throughout the four days of the event. The state of Minnesota will be partially responsible for, and a partner in, the security and transportation planning efforts at a minimum. To insure that we are fully informed and aware of all of our tasks we request funding to hire a lead person responsible for insuring that our efforts are as needed and required for the convention to be a success and that the best interests of the state of Minnesota are well represented at an event of this magnitude

This person would begin their responsibilities in early 2007 and will complete them by the end of September 2008.

Relationship to Base Budget
The agency has no base budget for this type of activity.

Key Measures
⇒ Overall success of the event is dependent on proper planning efforts and coordination among the lead agencies.
⇒ Rather than a dispersed reporting structure across divisions this initiative will allow one person to lead the efforts and be responsible for the overall coordination and results for this very important event.
⇒ By having a single lead person with oversight we will lessen the risk that critical issues will be overlooked during the planning process.

Statutory Change: Not Applicable.

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Activity Description
The Office of Communications delivers the department's message and responds to media requests on behalf of all divisions within the Department of Public Safety (DPS).

Population Served
The Office of Communications serves DPS employees, the media, the public, the legislature, other state agencies, and external constituent groups such as law enforcement agencies.

Activity at a Glance

In FY 2006:
- Sent 300 news advisories and releases
- Responded to 2,250 media calls
- Initiated 600 media calls
- Coordinated 40 news conferences
- Designed and wrote 35 publications
- Wrote/edited 50 articles and reports

Services Provided
Communications coordinates activities that establish the department as a leader and effective public policy maker on issues that affect public safety by:
- assisting the Commissioner's Office in developing a unified departmental message; and
- promoting DPS's three primary functions: service, enforcement, and prevention.

Communications also provides strategic direction, leadership, and professional communications services and support including:
- development of communication plans and processes;
- ongoing execution of media relations;
- development, coordination, and production of a range of communications vehicles and publications, including editorial and graphic content; and
- planning, coordination, and execution of special events and programming; and development and dissemination of public information and educational materials.

Key Measures
⇒ **Relationships with the media and the amount of media coverage.** Communications responds to media requests and proactively provides information to the media. The goal is to continue positive working relationships with media outlets and maintain the amount of coverage DPS receives in FY 2006 and FY 2007.

⇒ **Distribution of an internal DPS electronic newsletter.** Communications provides employees with departmental news and information so employees are better informed and develop a stronger sense of team spirit. The goal is to electronically deliver the e-newsletter four times per year.

Activity Funding
This activity is a mix of General Fund appropriations, Special Revenue Fund accounts, Trunk Highway Fund appropriations and federal funds. The source of the Special Revenue Funds is driver license motorcycle endorsement fees (Motorcycle Safety Account).

Contact
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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	39	39	39	39	78
Subtotal - Forecast Base	39	39	39	39	78
Governor's Recommendations					
Compensation Adjustment		0	0	1	1
Total	**39**	**39**	**39**	**40**	**79**
Trunk Highway					
Current Appropriation	346	346	346	346	692
Subtotal - Forecast Base	346	346	346	346	692
Governor's Recommendations					
Compensation Adjustment		0	17	31	48
Total	**346**	**346**	**363**	**377**	**740**
Expenditures by Fund					
Direct Appropriations					
General	37	42	39	40	79
Trunk Highway	327	365	363	377	740
Statutory Appropriations					
Misc Special Revenue	188	210	210	210	420
Federal	1,886	817	797	812	1,609
Total	**2,438**	**1,434**	**1,409**	**1,439**	**2,848**
Expenditures by Category					
Total Compensation	611	660	677	707	1,384
Other Operating Expenses	1,827	774	732	732	1,464
Total	**2,438**	**1,434**	**1,409**	**1,439**	**2,848**
Full-Time Equivalents (FTE)	**9.5**	**9.8**	**9.9**	**9.9**	

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Activity Description

Public Safety Support includes three separate offices: the Commissioner's Office, Fiscal and Administrative Services, and Human Resource Management and Development. The Commissioner's Office provides overall leadership for the entire Department of Public Safety (DPS) as it relates to the three main goals of DPS: service, prevention, and enforcement. Fiscal and Administrative Services provides financial and administrative support to the divisions and staff offices within DPS. Human Resource Management and Development provides professional human resource services, workforce planning initiatives and developmental training to all employees within DPS.

Activity at a Glance

- The Commissioner's Office oversees 14 separate divisions within DPS with 1,929 employees.
- Human Resources held 96 classes with 1,136 students in FY 2006. 232 hires were filled out of 321 postings. 734 employee transactions were entered into SEMA4.
- Fiscal and Administrative Services processed 37,774 payments to vendors, with 99.14% paid within 30 days in FY 2006.

Population Served

Public Safety Support primarily serves all the employees and divisions within DPS but also serves other state agencies, the legislature, public safety constituent groups such as law enforcement, federal public safety agencies, and the citizens of Minnesota.

Services Provided

The Commissioner's Office provides strategic and operational planning, management of divisions, legislative services, constituent response, and overall leadership of the goals of the agency. This office also serves as the Minnesota Office of Homeland Security providing a link between the federal Office of Homeland Security and local first responders throughout the state.

Fiscal and Administrative Services provides budgeting, general accounting, financial reporting, payroll coordination, accounts payable, purchasing, grant and contract management, and administrative support services.

Human Resource Management and Development provides recruitment and staffing services, classification and compensation consultation, benefits and insurance information/administration, workforce and organizational planning, labor relations and negotiations, workers compensation and safety, and training and development classes.

Key Measures

⇒ **Implementation of DPS strategic plan.** Each division sets goals with targets and results; Public Safety Support works with division directors to assure that strategic plan goals are met annually.

⇒ **Efficiency of the grant contract process.** Fiscal and Administrative Services has improved efficiency through guidelines, checklists, training materials, online tools, training sessions and by updating administrative policies.

⇒ **Implementation of On-Boarding to improve the hiring process within the department.** On-Boarding is the new system used to electronically enter employee data into statewide system for faster services.

⇒ **Electronic Performance Management tool developed to have performance evaluation information online for supervisors' use and measurement.**

Activity Funding

This activity is funded by a mix of General Fund appropriations, Special Revenue Funds, Trunk Highway Fund appropriation, and a Highway User Tax Distribution Fund appropriation. The source of the Special Revenue Funds is the recovery of indirect costs.

Contact

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Commissioner
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PUBLIC SAFETY DEPT
Program: ADMIN & RELATED SERVICES
Activity: PUBLIC SAFETY - SUPPORT

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	2,850	2,984	2,984	2,984	5,968
Technical Adjustments					
Current Law Base Change			147	315	462
Subtotal - Forecast Base	2,850	2,984	3,131	3,299	6,430
Governor's Recommendations					
Security Coord- Republican National Conv		0	110	28	138
Compensation Adjustment		0	4	9	13
Total	**2,850**	**2,984**	**3,245**	**3,336**	**6,581**
Trunk Highway					
Current Appropriation	3,248	3,248	3,248	3,248	6,496
Subtotal - Forecast Base	3,248	3,248	3,248	3,248	6,496
Governor's Recommendations					
Compensation Adjustment		0	83	172	255
Total	**3,248**	**3,248**	**3,331**	**3,420**	**6,751**
Highway Users Tax Distribution					
Current Appropriation	1,366	1,366	1,366	1,366	2,732
Subtotal - Forecast Base	1,366	1,366	1,366	1,366	2,732
Total	**1,366**	**1,366**	**1,366**	**1,366**	**2,732**
Expenditures by Fund					
Direct Appropriations					
General	1,934	2,329	3,245	3,336	6,581
Trunk Highway	3,137	3,359	3,331	3,420	6,751
Highway Users Tax Distribution	40	40	1,366	1,366	2,732
Statutory Appropriations					
Misc Special Revenue	1,351	1,515	1,542	1,570	3,112
Trunk Highway	0	7	0	0	0
Federal	17	6	6	6	12
Total	**6,479**	**7,256**	**9,490**	**9,698**	**19,188**
Expenditures by Category					
Total Compensation	3,302	3,564	3,731	3,771	7,502
Other Operating Expenses	1,746	2,132	1,934	1,934	3,868
Payments To Individuals	1,431	1,560	1,707	1,875	3,582
Transfers	0	0	2,118	2,118	4,236
Total	**6,479**	**7,256**	**9,490**	**9,698**	**19,188**
Full-Time Equivalents (FTE)	**48.3**	**49.4**	**50.2**	**49.6**	

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Activity Description

The Office of Technical Support Services (OTSS) is responsible for the design and support of a department wide set of core computer services including: the computer network infrastructure, e-mail communication system, web services, Voice over Internet Protocol (VoIP) telephone service and information systems security services. OTSS also develops software applications for division programs and provides desktop support to Department of Public Safety (DPS) staff.

Activity at a Glance

- Manages department information systems security for all programs and 1,800 DPS computer users.
- Provides desktop support for over 900 DPS employees housed in five major locations, 17 small sites, and 250 individual remote locations across the state.
- Provides telephone system support for 600 phones for DPS employees and cell phone service request coordination for the entire department.

Population Served

OTSS primarily serves employees within DPS but also supports some external parties like Deputy Registrars in the metro and out-state areas. All programs within the DPS including the Bureau of Criminal Apprehension, CriMNet, the Minnesota State Patrol, Driver and Vehicle Services, Emergency Management, State Fire Marshal, and Pipeline Safety are dependent on the core services OTSS provides.

Services Provided

OTSS designs, implements, and supports the DPS network architecture. This is a complex infrastructure that includes e-mail and file and print services that supports staff in locations throughout the state. The department web master manages the department web server and assists division personnel in developing web pages and interactive applications for the public and business partners. Programming services are provided for all divisions of DPS to develop needed software applications to carry out their program goals. OTSS also provides department-wide information systems planning and represents the department's interests on the Chief Information Officer Advisory Council to the state CIO, the Enterprise Architecture Team and the State Information Systems Master planning teams. The information security officer directs all DPS computer systems security out of the OTSS, including firewall support, network monitoring, incident response, and intrusion testing. OTSS provides system architecture design services through our network group that also manages all switches and routers and works with the Office of Enterprise Technology and other providers of our wide area network connectivity.

Additionally, OTSS provides personal computer desktop support services for 12 DPS divisions with over 1,200 staff. This includes hardware and software installations, upgrades and removals, helpdesk support, software license compliance management, and problem resolution as well as telephone system support.

Key Measures

⇒ Continue Implementation of a rigorous computer security program
A network security vulnerability assessment and corrective network architecture plan was developed for the department in 1999 by a vendor that specializes in security architecture development. The Office of the Legislative Auditor found deficiencies in DPS security. The department is working to mitigate and eliminate security deficiencies. With the continuing challenges to protect the expanding and sensitive data that DPS collects and stores, there is a need to complete the implementation of the DPS security program and maintain a rigorous security posture into the future.

⇒ Network operating systems.
As more and more DPS services to the public and business partners are delivered over computer networks, including the Internet, the department must keep pace with transporting voice, video, and data services. Network monitoring must reflect an average availability of at least 99% each year to be sure those programs can operate adequately.

⇒ Desktop support problem resolution.

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Trouble calls are assigned an appropriate priority when received and are completed within the agreed upon service level for the priority assigned (four hours for a priority one, eight hours for a priority two etc.). 90% of the priority one and two problems will be resolved to meet service level goals.

Activity Funding

This activity is funded by a mix of General Fund appropriations, Special Revenue Funds, Trunk Highway Fund appropriations and Highway User Tax Distribution Fund appropriations.

Contact

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	91	91	91	91	182
Subtotal - Forecast Base	91	91	91	91	182
Governor's Recommendations					
IT Security & Disaster Recovery		0	3,846	2,162	6,008
Total	**91**	**91**	**3,937**	**2,253**	**6,190**
Trunk Highway					
Current Appropriation	2,344	2,344	2,344	2,344	4,688
Subtotal - Forecast Base	2,344	2,344	2,344	2,344	4,688
Total	**2,344**	**2,344**	**2,344**	**2,344**	**4,688**
Highway Users Tax Distribution					
Current Appropriation	19	19	19	19	38
Subtotal - Forecast Base	19	19	19	19	38
Total	**19**	**19**	**19**	**19**	**38**
Expenditures by Fund					
Direct Appropriations					
General	84	99	3,937	2,253	6,190
Trunk Highway	2,122	2,566	2,344	2,344	4,688
Highway Users Tax Distribution	17	21	19	19	38
Statutory Appropriations					
Misc Special Revenue	0	300	300	300	600
Federal	21	0	0	0	0
Total	**2,244**	**2,986**	**6,600**	**4,916**	**11,516**
Expenditures by Category					
Total Compensation	1,710	2,449	2,723	2,739	5,462
Other Operating Expenses	534	537	3,877	2,177	6,054
Total	**2,244**	**2,986**	**6,600**	**4,916**	**11,516**
Full-Time Equivalents (FTE)	**19.7**	**22.8**	**26.9**	**26.9**	

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Budget Activities

⇒ Patrolling Highways
⇒ Commercial Vehicle Enforcement
⇒ Capitol Complex Security

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	2,871	3,183	3,183	3,183	6,366
Technical Adjustments					
One-time Appropriations			(312)	(312)	(624)
Subtotal - Forecast Base	2,871	3,183	2,871	2,871	5,742
Governor's Recommendations					
Capitol Security Increase		0	1,500	1,500	3,000
Compensation Adjustment		0	129	196	325
Total	**2,871**	**3,183**	**4,500**	**4,567**	**9,067**
Trunk Highway					
Current Appropriation	67,084	67,075	67,075	67,075	134,150
Subtotal - Forecast Base	67,084	67,075	67,075	67,075	134,150
Governor's Recommendations					
State Patrol Enhancements		0	3,395	4,988	8,383
Compensation Adjustment		0	3,972	6,526	10,498
Total	**67,084**	**67,075**	**74,442**	**78,589**	**153,031**
Highway Users Tax Distribution					
Current Appropriation	92	92	92	92	184
Subtotal - Forecast Base	92	92	92	92	184
Total	**92**	**92**	**92**	**92**	**184**
Expenditures by Fund					
Direct Appropriations					
General	2,719	3,852	4,500	4,567	9,067
Trunk Highway	62,266	68,505	74,442	78,589	153,031
Highway Users Tax Distribution	49	135	92	92	184
Statutory Appropriations					
General	911	953	985	1,014	1,999
State Government Spec Revenue	993	1,406	1,406	1,406	2,812
Misc Special Revenue	8,084	8,813	8,150	7,869	16,019
Trunk Highway	199	53	55	55	110
Federal	13,203	12,372	10,416	10,422	20,838
Gift	5	51	5	5	10
Total	**88,429**	**96,140**	**100,051**	**104,019**	**204,070**
Expenditures by Category					
Total Compensation	66,984	71,784	75,561	79,872	155,433
Other Operating Expenses	18,529	21,683	21,842	21,499	43,341
Payments To Individuals	38	24	24	24	48
Local Assistance	2,878	2,649	2,624	2,624	5,248
Total	**88,429**	**96,140**	**100,051**	**104,019**	**204,070**
Expenditures by Activity					
Patrolling Highways	73,276	78,223	81,695	85,316	167,011
Commercial Vehicle Enforcement	11,437	13,493	12,908	13,159	26,067
Capitol Complex Security	3,716	4,424	5,448	5,544	10,992
Total	**88,429**	**96,140**	**100,051**	**104,019**	**204,070**
Full-Time Equivalents (FTE)	**902.0**	**922.0**	**953.9**	**973.9**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	3,395	4,988	4,988	4,988
Revenues	0	0	0	0
Net Fiscal Impact	$3,395	$4,988	$4,988	$4,988

Recommendation
The Governor recommends an increase in the base budget of the Minnesota State Patrol of $2.06 million in FY 2008 and $3.653 million in FY 2009 in order to fund 40 new troopers and related costs. An additional $1.335 million each year is being recommended to fund higher fuel costs. The impact of this recommendation will be continued and enhanced traffic safety and reduce response time to emergency calls in Minnesota. The additional troopers will contribute to fewer traffic fatalities, personal injuries, vehicle crashes, more impaired driver arrests and better response to driving complaints.

Background
It is the primary responsibility of the State Patrol to enforce traffic and criminal laws on Minnesota's public highways. These law enforcement services provide for the safe and efficient movement of traffic and the protection of Minnesota's citizens through enforcement, education, and assistance. There are approximately 5.2 million citizens of Minnesota including over 3.9 million licensed drivers and 4.6 million registered motor vehicles. Additionally Minnesota roadway users include visitors and commercial vehicles from other states. In 2005, the motoring public accumulated 58 billion miles of travel on Minnesota roadways.

If this change item is adopted, troopers will be deployed with emphasis on stationing and directing resources to locations where they will have the greatest impact on the desired organizational outcomes. This deployment will be based upon Vehicle Miles Traveled (VMT) on the State Patrol's primary jurisdictional roadways within county boundaries, crash data, violation data, as well as other pertinent criteria.

Relationship to Base Budget
This initiative represents an increase to the State Patrol's annual base budget of $67.075 million.

Key Measures
- The number of motor vehicle occupants wearing seat belts;
- seat belt related fatalities and serious injury crashes;
- state patrol DUI arrests;
- the number of alcohol related crashes;
- the number of fatalities per 100 million miles traveled in Minnesota;
- decrease in economic loss to the State of Minnesota as a result of traffic crashes;
- decrease in the number of patrol station shift vacancies;
- prevention, increased response and resolution of aggressive driving; and
- reduction in traffic congestion time due to crashes and stalled vehicles.

For a more detailed view of the State Patrol's overarching goals and measurement outcomes, please review the organization's strategic plan through the following link: www.dps.state.mn.us/patrol/

Statutory Change: Not Applicable.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,500	$1,500	$1,500	$1,500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,500	$1,500	$1,500	$1,500

Recommendation
The Governor recommends an increase of $1.5 million per year to add 20 security guard positions and one civilian supervisor and security equipment in order to address security assessment needs at the Capitol complex.

Background
The State Patrol provides for the safety and security of judicial and legislative officials, state employees, and members of the public working at or visiting the State Capitol complex. Capitol complex security officers are responsible for the safety and security of more than 14,000 state employees working within 37 individual state buildings located throughout the Capitol complex. In addition, there are over one million visitors to the Capitol annually. Furthermore, there are approximately 500 permitted events on the Capitol complex annually. A significant portion of the Capitol complex is patrolled and monitored by funding supplied to the State Patrol by individual agencies requesting contracted security services.

Relationship to Base Budget
This change initiative increases the Capitol Security base budget from $2.834 million to $4.334 million in FY 2009.

Key Measures
⇒ Establishment and implementation of security contingencies congruent with Minnesota National Guard security assessment for protection of the State Capitol complex.
⇒ Response time of Capitol Security officers to requests for assistance.
⇒ Efficient utilization of State Patrol resources in providing effective security for the Governor and immediate family.

Statutory Change: Not Applicable.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	83	107	107	107
Revenues	83	107	107	107
Net Fiscal Impact	$0	$0	$0	$0

Recommendation
The Governor recommends a change in the escort rate charged for services of the Minnesota State Patrol. The change would have no fiscal impact on the base budget. The increase is necessary to offset the increased costs associated with personnel, equipment, and fuel.

Background
The Minnesota State Patrol provides contracted law enforcement services whose direct costs are reimbursed to the agency. These services include, but are not limited to, escorts, federal traffic enforcement projects, construction zone safety, limited aviation functions, and other contract services. The rate for these services is based upon current negotiated labor contracts, fuel prices, equipment costs and depreciation. An increase in the escort rate charge is necessary to offset increases in the associated costs of the services in order to make them cost neutral to the agency. Without the requested increase, the current escort rate will not be adequate to offset the costs associated with the services.

Relationship to Base Budget
This initiative would not change the base budget of the State Patrol.

Key Measures
Escort rate based upon actual costs in order for expenditures to equal revenues.

Statutory Change: 299D.09

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Activity Description

It is the responsibility of the State Patrol to enforce traffic and criminal laws on Minnesota's public highways and on state property. These law enforcement services provide for the safe and efficient movement of traffic and the protection of Minnesota's citizens through enforcement, education, and assistance.

Population Served

The State Patrol serves the 5.2 million citizens of Minnesota, over 3.9 million licensed drivers operating 4.6 million registered motor vehicles, as well as visitors to our state. The motoring population compiled 57 billion miles of travel on Minnesota roadways in 2005.

Activity at a Glance

During calendar year 2005:

- 587,402 enforcement contacts
- 24,556 crashes investigated
- 7,036 Driving While Impaired (DWI) arrests
- 16,595,070 total miles traveled by troopers
- 12,862 assists to local law enforcement
- 79,883 assists to the public
- 25,542 driving complaints received

Services Provided

This division's primary role is the enforcement of laws regulating the use of the state's highways with special emphasis on removing impaired drivers, encouraging seat belt use, and reducing the incidence of speed and aggressive driving violations.

In addition to enforcement, the State Patrol provides a variety of services. Troopers respond to motor vehicle crashes and provide assistance to stranded motorists. As first responders, troopers regularly render life-saving assistance to the victims of serious crashes or medical emergencies. After tending to the injured, troopers investigate and reconstruct motor vehicle collisions to determine the causal factors. Determining the cause of collisions establishes accountability and helps prevent future crashes. Disabled vehicles can be a serious hazard for the drivers of other vehicles and frequently inhibits the efficient flow of traffic on the roadway. Helping motorists with vehicle problems to either move their vehicles to safety off the road, or to repair a minor problem, makes travel safer for everyone, reduces congestion, and provides a safer transportation environment. Over the course of the year, troopers make arrangements for towing services (22,773), tire changes (3,038), check disabled vehicles (37,790), and assist with medical emergencies (710). The State Patrol also promotes a safer highway environment by encouraging voluntary compliance with motor vehicle traffic laws through public education activities and use of the media.

The Minnesota State Patrol collaborates and provides support to local pubic safety agencies in transportation and public safety related areas. Some of these areas include aviation, crash reconstruction, highway criminal interdiction programs, targeted traffic enforcement projects and motor vehicle title and dealer fraud.

Historical Perspective

Since 1980, the effects of removing impaired drivers, encouraging seat belt use, and reducing the incidence of speed and aggressive driving violations have caused some positive changes to occur.

With sustained emphasis on arresting and removing impaired drivers from the highways, the incidence of impaired or intoxicated driving has decreased. Prior to 1980, over 50% of all fatal car crashes involved an impaired driver. For the calendar year 2003, 37% of fatal crashes were attributed to an impaired driver; in 2005 the rate had been reduced to 35%.

Special emphasis on seat belt enforcement and education has contributed to the increasing percentage of motorists using seat belts. Corresponding to the increased seat belt enforcement, the number of severe injuries resulting from motor vehicle crashes has steadily decreased. Prior to 1980, the percentage of persons wearing seat belts was 30% and the number of persons severely injured in crashes was over 5,000 annually. In 2003, seat belt use was at 79% and the number severely injured was under 2,300. In 2005, statewide seatbelt use increased to 84% and the number of serious injuries declined to 1,542. This decrease has occurred even as the

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number of licensed drivers, registered vehicles, and miles traveled has increased, and the average number of total crashes has stayed the same.

In 2005, illegal or unsafe speed contributed to 25.8% of all traffic crashes; by far the leading crash contributor. By placing patrolling emphasis on roadways where there were crashes and excess speed, the number of vehicles traveling significantly in excess of posted limits has been greatly reduced. In selected target areas, the number of vehicles traveling speeds in excess of 10 MPH over the posted limit has been reduced by as much as 28% in greater Minnesota and 25% in the metro area.

Key Measures

⇒ The number of motor vehicle occupants using seat belts.

The goal is to reduce the number of serious injury and fatal injuries resulting from unrestrained motorists in motor vehicle crashes.

Performance indicator: The percentage of motor vehicle occupants that used seat belts.

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
57%	65%	64%	65%	64%	72%	73%	74%	76%	77%	79%	84%

⇒ MSP Driving while Intoxicated (DWI) arrests.

The goal is to reduce the number of alcohol related crashes through active enforcement.

Performance indicator: The number of driving after intoxicated arrests (DWI) by MSP

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
5,268	4,965	5,154	5,469	5,420	5,990	7,305	6,772	5,855	4,946	5,891	7,036

⇒ Fatality Rate

The goal is to reduce the number of fatalities and serious injures resulting from crashes

Outcome indicator: Number of fatalities per 100 million vehicle miles traveled (VMT)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1.48	1.35	1.26	1.28	1.34	1.24	1.19	1.07	1.21	1.18	1.00	.99

Activity Funding

This activity is funded by a mix of appropriations: Trunk Highway Fund, Special Revenue Funds, Emergency 911 Funds, and federal funds. The sources of the Special Revenue Funds are the motor vehicle title transfer surcharge revenues (funds State Patrol vehicle purchases), disposition of drug forfeitures, portion of the seat belt violation fine money (funds traffic safety educational programs), service fees charged for air patrol services, State Patrol escort service fees and Enhanced 911 service fees.

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PUBLIC SAFETY DEPT
Program: STATE PATROL
Activity: PATROLLING HIGHWAYS

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	37	349	349	349	698
Technical Adjustments					
One-time Appropriations			(312)	(312)	(624)
Subtotal - Forecast Base	37	349	37	37	74
Total	**37**	**349**	**37**	**37**	**74**
Trunk Highway					
Current Appropriation	60,610	60,601	60,601	60,601	121,202
Subtotal - Forecast Base	60,610	60,601	60,601	60,601	121,202
Governor's Recommendations					
State Patrol Enhancements		0	3,197	4,790	7,987
Compensation Adjustment		0	3,699	6,002	9,701
Total	**60,610**	**60,601**	**67,497**	**71,393**	**138,890**
Highway Users Tax Distribution					
Current Appropriation	92	92	92	92	184
Subtotal - Forecast Base	92	92	92	92	184
Total	**92**	**92**	**92**	**92**	**184**
Expenditures by Fund					
Direct Appropriations					
General	180	381	37	37	74
Trunk Highway	56,268	61,900	67,497	71,393	138,890
Highway Users Tax Distribution	49	135	92	92	184
Statutory Appropriations					
State Government Spec Revenue	993	1,406	1,406	1,406	2,812
Misc Special Revenue	8,084	8,813	8,150	7,869	16,019
Trunk Highway	199	53	55	55	110
Federal	7,498	5,484	4,453	4,459	8,912
Gift	5	51	5	5	10
Total	**73,276**	**78,223**	**81,695**	**85,316**	**167,011**
Expenditures by Category					
Total Compensation	56,599	60,064	63,011	66,907	129,918
Other Operating Expenses	16,084	17,405	17,955	17,680	35,635
Payments To Individuals	38	24	24	24	48
Local Assistance	555	730	705	705	1,410
Total	**73,276**	**78,223**	**81,695**	**85,316**	**167,011**
Full-Time Equivalents (FTE)	**743.9**	**748.6**	**765.1**	**785.2**	

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Activity Description

Commercial Vehicle Enforcement exists to enforce laws specifically regulating the operation and movement of commercial motor vehicles, with the expressed goal of reducing the number of collisions involving commercial vehicles as well as reducing the damage to roadways caused by overweight vehicles.

Population Served

The Commercial Vehicle Enforcement division serves the 5.2 million Minnesota citizens, and 3.9 million licensed drivers operating 4.6 million registered motor vehicles regularly using the roadways in Minnesota. More specifically, daily activities center on the commercial vehicle operators and companies involved in transporting goods and providing transportation services within Minnesota.

Activity at a Glance

Commercial motor vehicle (CMV) enforcement activity for calendar year 2005:

- 31,391CMV/driver safety inspections
- 15,000 school bus safety inspections
- 5,629 CMV collisions
- 2,239 CMV drivers placed out of service as a result of safety inspections (7.6%)
- 8,240 CMVs placed out of service
- State Patrol driver and vehicle out of service rates far exceed the national average

Services Provided

The Commercial Vehicle Enforcement division enforces state and federal laws regulating the size, weight, load, and operation of commercial motor vehicles on all Minnesota roadways, and primarily, on the state and federal trunk highway systems.

This includes 11 fixed weigh scale locations and 22 mobile enforcement teams. Fixed scales are located in Erskine, Saginaw, Moorhead, St. Croix, and Worthington. These facilities are operated on a regular basis with permanent staff. The remaining scale locations are operated on an irregular basis with no permanent staff assigned. Mobile enforcement teams weigh vehicles at roadside and perform random roadside inspections of commercial vehicles. Specialized school bus inspectors perform annual and random inspections of school buses for compliance with safety equipment, vehicle mechanical condition, and driver documentation. In 2005, 31,391 commercial vehicle and/or driver inspections were completed in addition to 15,000 school bus inspections.

While weather is a contributing factor, the major cause of roadway deterioration is the effect of overweight trucks. Deterioration of roadways comes at a tremendous cost in dollars and lost safety for taxpayers and users of the roadways. The Minnesota relevant evidence law provides for the civil enforcement of vehicle weight by requiring law enforcement access to certain shipping documents and bills of lading at elevators and shipping locations. State Patrol civil weight inspectors review hundreds of thousands of shipping documents annually identifying overweight violations that would otherwise go undiscovered.

Commercial Vehicle Enforcement provides annual and requested training to local law enforcement agencies on commercial vehicle regulation, inspection, and crash investigation. Training is also provided in compliance with the requirements of the state mandatory commercial vehicle inspection program.

The State Patrol is also designated as the lead agency for the state of Minnesota's participation in the federal Motor Carrier Safety Assistance Program (MCSAP). The purpose of MCSAP is to improve the performance of commercial vehicle drivers and mechanical condition of commercial vehicles. The State Patrol Commercial Vehicle Enforcement activity, as part of the MCSAP, devotes a significant portion of resources toward CMV-driver safety education. This generally takes the form of formal classes conducted by the Commercial Vehicle Enforcement staff, question and answer sessions between staff and CMV industry representatives and drivers, and roadside enforcement activities focusing on unsafe driver practices.

In addition to the MCSAP grant, the State Patrol Commercial Vehicle Section coordinates other federal grant activities including; Northern Border Safety and Security, Red-Dyed Fuel, New Entrant Safety Assurance Program, aerial crash photography, PRISM (registration enforcement), and CVARS (crash data reporting and accuracy).

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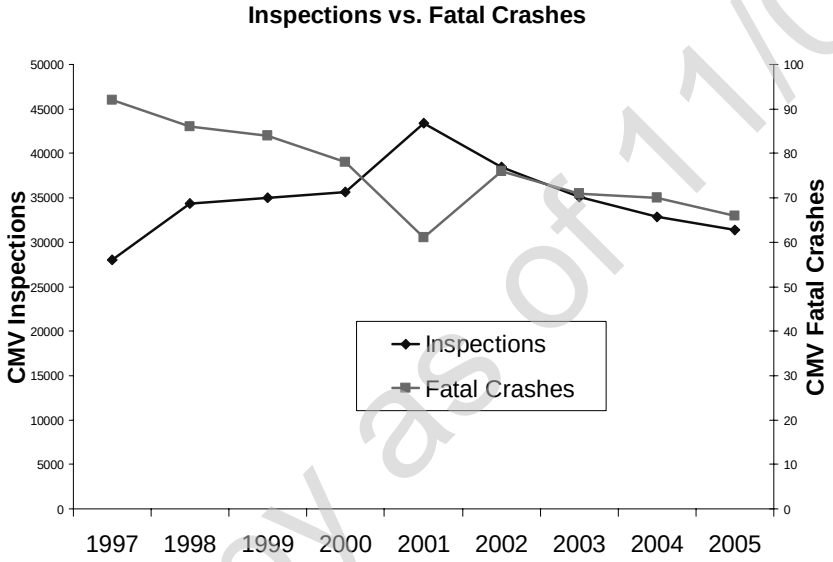
The above-mentioned grants work in concert with our other enforcement and education activities to improve the overall safety of commercial vehicles operating on our roadways.

Key Measures

⇒ The number of commercial motor vehicle inspections.

⇒ The number of fatal crashes involving a commercial motor vehicle.

Statistics seem to indicate that there is a direct relationship between an increased emphasis on CMV driver inspections and a decrease in fatal crashes involving CMVs. As the number of CMV inspections increases, the number of fatal crashes has declined.



Activity Funding

This activity is funded by a mix of Trunk Highway Fund appropriations and federal funds.

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PUBLIC SAFETY DEPT
Program: STATE PATROL
Activity: COMMERCIAL VEHICLE ENFORCEMENT

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Trunk Highway					
Current Appropriation	6,474	6,474	6,474	6,474	12,948
Subtotal - Forecast Base	6,474	6,474	6,474	6,474	12,948
Governor's Recommendations					
State Patrol Enhancements		0	198	198	396
Compensation Adjustment		0	273	524	797
Total	**6,474**	**6,474**	**6,945**	**7,196**	**14,141**
Expenditures by Fund					
Direct Appropriations					
Trunk Highway	5,998	6,605	6,945	7,196	14,141
Statutory Appropriations					
Federal	5,439	6,888	5,963	5,963	11,926
Total	**11,437**	**13,493**	**12,908**	**13,159**	**26,067**
Expenditures by Category					
Total Compensation	7,264	7,731	7,986	8,256	16,242
Other Operating Expenses	1,850	3,843	3,003	2,984	5,987
Local Assistance	2,323	1,919	1,919	1,919	3,838
Total	**11,437**	**13,493**	**12,908**	**13,159**	**26,067**
Full-Time Equivalents (FTE)	**103.9**	**110.7**	**110.4**	**110.5**	

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Activity Description

Capitol Complex Security is a division of the Minnesota State Patrol, whose primary function is to provide for the safety and security of judicial and legislative officials, state employees, and members of the public working at or visiting the Capitol Complex. The executive protection unit is comprised of state troopers, who are responsible for providing personal protection, transportation and security for the governor, lieutenant governor, the governor's immediate family and the state's executive residence in St. Paul.

Activity at a Glance

- Capitol Security monitors over 58,000 environmental, fire, and security points including fire alarms, panic alarms, hold-up alarms, and security alarms.
- 14,000 employees work within the Capitol Complex and nearly one million citizens visit the Capitol Complex on an annual basis.

Population Served

Capitol Complex security officers are responsible for safety and security of more than 14,000 state employees working within 37 individual state buildings located throughout the entire Capitol Complex. Capitol Security officers also provide security, employee safety escorts, assists with motorists locked out of their vehicles, and parking enforcement within the 40 Capitol Complex parking facilities. There are also over one million visitors to the Capitol annually.

Services Provided

The Capitol Security Operations Center is the central hub for the operation of the state buildings and responds to all emergencies that occur within its jurisdiction. Currently there are over 58,000 environmental, fire and security points regulated by the Operations Center staff. These include: security alarms, panic alarms, fire alarms, hold-up alarms, environmental heating, air conditioning and ventilation controls, and lighting.

The Operations Center monitors more than 489 cameras. These cameras are located throughout the Capitol Complex in high-security and public areas. The parking lots, parks, tunnels, and main entrances also have intercoms, which can be used in an emergency or to request assistance from a security officer. There are over 100 intercom sites located throughout the Capitol Complex. Capitol Security is also responsible for issuing and monitoring over 9,000 key cards to complex employees.

During the legislative session, the State Patrol assigns additional troopers and Legislative Security Officers (LSO) to the legislature to protect members of the House of Representatives and Senate. These troopers follow up on threats, which members may receive verbally, electronically, in writing, or via the telephone.

There are over 240 rallies, protests and events held on the Capitol Complex each year. A permit request is required for each event and additional security is often needed at these events.

Capitol Security officers are the primary responders to all emergencies occurring on the Capitol Complex and at buildings within Capitol Security's jurisdiction. These emergencies include: suspicious activities, disruptive individuals, fires, and medical emergencies. Officers are trained in first aid, CPR, and the use of automatic external defibrillators. Capitol Security works closely with St. Paul police, fire department, and paramedics to make sure that all emergencies are safely and efficiently managed.

Key Measures

⇒ The response time of Capitol Security officers to requests for assistance.

Calls for Service (CFS) are defined as a request for security services, which require an immediate response or follow-up by security personnel. CFS received at the Capitol Complex Security Communications Center are categorized as emergency and non-emergency. Data indicates that quick response to emergency situations (medicals, fire/police assists, alarms) saves lives, minimizes damage, and solves crimes. Emergency CFS are given priority for response. CFS response time is the elapsed time from the time a CFS is received by the Communications Center and the time that security personnel arrive at the CFS location.

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The goal of Capitol Security is to ensure the safety of employees and visitors within the Capitol Complex by responding to CFS in a timely manner.

⇒ Establishment of a strategic plan enhancing security on the Capitol campus.

The safety and security of personnel and property on the Capitol campus are the primary goal of Capitol Security. In conjunction with the National Guard Threat Assessment Team, Capitol Security has, and continues to, develop a strategic plan that addresses current and future security needs.

Activity Funding

This activity is funded from the General Fund. Revenues are generated from security contracts with agencies located in buildings outside the Capitol Complex and for additional security needed by some state agencies.

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PUBLIC SAFETY DEPT
Program: STATE PATROL
Activity: CAPITOL COMPLEX SECURITY

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	2,834	2,834	2,834	2,834	5,668
Subtotal - Forecast Base	2,834	2,834	2,834	2,834	5,668
Governor's Recommendations					
Capitol Security Increase		0	1,500	1,500	3,000
Compensation Adjustment		0	129	196	325
Total	**2,834**	**2,834**	**4,463**	**4,530**	**8,993**
Expenditures by Fund					
Direct Appropriations					
General	2,539	3,471	4,463	4,530	8,993
Statutory Appropriations					
General	911	953	985	1,014	1,999
Federal	266	0	0	0	0
Total	**3,716**	**4,424**	**5,448**	**5,544**	**10,992**
Expenditures by Category					
Total Compensation	3,121	3,989	4,564	4,709	9,273
Other Operating Expenses	595	435	884	835	1,719
Total	**3,716**	**4,424**	**5,448**	**5,544**	**10,992**
Full-Time Equivalents (FTE)	**54.2**	**62.7**	**78.4**	**78.2**	

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Budget Activities

⇒ Vehicle Services
⇒ Driver Services

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Misc Special Revenue					
Current Appropriation	44,669	43,974	43,974	43,974	87,948
Technical Adjustments					
One-time Appropriations			(91)	(125)	(216)
Subtotal - Forecast Base	44,669	43,974	43,883	43,849	87,732
Governor's Recommendations					
Driver Services Operating Account		0	949	1,723	2,672
Vehicle Services Operating Account		0	731	869	1,600
License Plate Production		0	1,000	1,175	2,175
DL & Motor Veh. Records Coordinator		0	72	68	140
Total	**44,669**	**43,974**	**46,635**	**47,684**	**94,319**
Trunk Highway					
Current Appropriation	31	1	1	1	2
Subtotal - Forecast Base	31	1	1	1	2
Total	**31**	**1**	**1**	**1**	**2**
Highway Users Tax Distribution					
Current Appropriation	6,966	7,036	7,036	7,036	14,072
Subtotal - Forecast Base	6,966	7,036	7,036	7,036	14,072
Governor's Recommendations					
License Plate Production		0	300	600	900
Total	**6,966**	**7,036**	**7,336**	**7,636**	**14,972**
Expenditures by Fund					
Direct Appropriations					
Misc Special Revenue	38,154	44,709	45,474	46,523	91,997
Trunk Highway	11	31	1	1	2
Highway Users Tax Distribution	5,956	8,046	7,336	7,636	14,972
Statutory Appropriations					
Misc Special Revenue	299	889	389	389	778
Federal	322	2,078	403	0	403
Reinvest In Minnesota	9	10	10	10	20
Miscellaneous Agency	0	1,975	3,950	3,950	7,900
Gift	42	69	45	45	90
Total	**44,793**	**57,807**	**57,608**	**58,554**	**116,162**
Expenditures by Category					
Total Compensation	25,053	30,151	29,796	30,661	60,457
Other Operating Expenses	19,702	25,770	24,056	24,137	48,193
Other Financial Transactions	38	1,886	3,756	3,756	7,512
Total	**44,793**	**57,807**	**57,608**	**58,554**	**116,162**
Expenditures by Activity					
Vehicle Services	19,875	29,583	30,226	30,803	61,029
Driver Services	24,918	28,224	27,382	27,751	55,133
Total	**44,793**	**57,807**	**57,608**	**58,554**	**116,162**
Full-Time Equivalents (FTE)	**471.7**	**519.7**	**523.3**	**523.3**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Fund (DSOA)				
Expenditures	$949	$1,723	$1,723	$1,723
Revenues	1,280	1,280	1,280	1,280
Net Fiscal Impact	($331)	$443	$443	$443

Recommendation
The Governor is recommending an increase in all driver's license fees (see Exhibit A) of $0.75 in order to support current driver services operations. The Governor is also recommending that there be a $20 reinstatement fee for driver license suspensions due to conviction for theft of gasoline at the pump.

Background
This change item is a response to the fact that DVS current fees will not meet the costs to operate all 95 exam stations and fund the current level of staffing who work in ten regions throughout Minnesota in the next biennium.

The payment of a $20 fee for the reinstatement of the driver license was inadvertently omitted for those individuals whose drivers' licenses would be suspended when the legislation was enacted in 2005.

Relationship to Base Budget
During the past biennium, the Legislature approved the creation of the Driver License Account in the Special Revenue Fund. As a result, all driver's license fees and endorsements are deposited in the Driver License Account in the Special Revenue Fund. The costs associated with testing for and the issuing of driver's licenses, endorsements, and permits as well as all driver compliance-related activities are paid from this driver license account in the Special Revenue Fund. The change to a fee-based budget has improved DVS' ability to adjust its budget to more adequately address demand-driven fluctuations. All driver license fees and endorsements are deposited in the Driver License Account in the Special Revenue Fund. Current revenues are estimated to be $26.086 million in both FY 2008 and in FY 2009. A $0.75 increase in all drivers' license and Identification Card fees will increase revenues by $1.275 million in both FY 2008 and in FY 2009. The $20 driver license reinstatement fee will bring in an estimated $5,000 each year.

Over 67% of the revenue DVS collects pays for the salaries of its 512 employees, while approximately 33% of its revenue supports DVS operations. As a result, DVS would not be able to continue operations at current service levels without an increase in fees to support Driver Services operations in this coming biennium.

Key Measures
This initiative ties directly to the DVS mission to provide fair, accurate, secure and timely (FAST) service to Minnesota residents and to DVS business partners. In order to reduce wait times for service and improve access to service and information, DVS must be able to respond to changes in volume and demand which can affect the ability to issue driver licenses, identification cards, and instruction permits and to deliver driver-related services. Increased agency accountability for activities contributes to the efficient and productive management of services and related deliverables.

Statutory Change: M.S. 171.02, subd. 3 (d); M.S. 171.06, subd. 2 (a); M.S. 171.06, subd. 2a; M.S. 171.07, subd. 3a, M.S. 171.07, subd. 11 (a) and (c); and M.S. 171.13, subd. 5.

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Exhibit A:

	Current	Proposed
Class A regular	$40.50	$41.25
Class A, under age 21	$20.50	$21.25
Class B, regular or under age 21	$32.50	$33.25
Class C, regular or under age 21	$25.50	$26.25
School Bus processing fee-original and renewal applications	$ 4.00	
Class D, regular or under age 21	$21.50	$22.25
Provisional driver's license	$12.50	$13.25
Class D Provisional license upgrade to under age 21 DL - no violations on record ($3.50 credit)	$18.00	$18.75
Duplicate Driver's License/Identification Card -All Classes	$11.00	$11.75
Identification Cards		
Under age 65	$15.50	$16.25
Age 65 and older (1/2 Class D cost)	$10.75	$11.50
Card for person with physical disability, developmental disability, or qualified mental illness	$ .50	
Permits/Endorsements		
Class D instruction permit (Valid for 2 years)	$9.50	$10.25
Class A, B, or C instruction permit	no fee	
Endorsement examination fees	$2.50	$3.25
Motorcycle instruction permit/endorsement fee	$21.00	$21.00
Motorcycle endorsement renewal (2 wheel only)	$13.00	$13.00
Standby or Temporary Custodian Designation	$3.50	$4.25
Reinstatement Fees		
Revoked licenses		
Alcohol/Drugs/Criminal Vehicular Operation (Effective 7/1/03)	$680.00	
Other offenses - including No-fault Insurance revocation	$30.00	
Suspended License, includes No-fault Insurance violation (suspended)	$20.00	
CDL Disqualification Fee	$20.00	
Motorized Bicycle Operator's Permit:		
Knowledge test and 30 day instruction permit	$6.00	$ 6.75
Skill test and 1 year operator's permit	$6.00	$ 6.75
Duplicate of 1 year operator's permit	$3.00	$ 3.75
Renewal of 1 year permit to age 21	$9.00	$9.75
Duplicate of renewal permit	$4.50	$ 5.25
Renewal, age 21 or older	$15.00	$15.75
Retesting Fees		
Third and subsequent knowledge (written) test after failing first two.	$10.00	
Third and subsequent skill (road) test after failing first two	$20.00	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Fund (VSOA)				
Expenditures	$731	$869	$869	$869
Revenues	975	1,050	1,050	1,050
Net Fiscal Impact	$(244)	$(181)	$(181)	$(181)

Recommendation
The Governor is recommending an increase in title fees of $0.75 in order to support current vehicle services operations including its electronic vehicle registration program, Quick Transaction Program, and its expedited title program.

Background
Currently, a portion of the fees related to vehicle registration and title activity are deposited in the Vehicle Registration and Title Account in the Special Revenue Fund. This change has improved DVS' ability to adjust its budget to more adequately address demand-driven fluctuations in its budget. Current revenues are estimated to be $17.178 million in FY 2008 and $ 17.178 million in FY 2009. A $0.75 increase in all title fees will increase revenues by $975,000 in FY 2008 and $1.05 million in FY 2009.

Through its activities, DVS generates $1.1 billion each year in tax revenue, with an operating budget of $45 million, representing less than 4.10% of the revenue generated.

Relationship to Base Budget
This change item is a response to the fact that DVS current title fee does not provide the funding necessary to adequately fund the title and registration process. In addition, starting with FY 2008 and FY 2009, DVS must begin making payments to the Department of Finance for Statewide Indirect Costs associated with the special revenue accounts that have been established to operate our fee-based budget system.

Over 67% of the revenue DVS collects pays for the salaries of its 512 employees, while approximately 33% of its revenue supports DVS operations. As a result, DVS would not be able to continue operations at current service levels without an increase in fees to support Vehicle Services operations in this coming biennium.

Key Measures
This initiative ties directly to DVS goals to provide fair, accurate, secure and timely (FAST) service to Minnesota residents and DVS business partners. In order to reduce wait times for service and improve access to service and information, DVS must be able to respond to changes in volume and demand which can affect the ability to issue motor vehicle registrations and certificates of title. Increased agency accountability for activities contributes to the efficient and productive management of services and related deliverables.

Statutory Change: M.S. 168A.29, subd. 1 (a) (1); M.S. 168A.29, subd. 1 (a) (3); M.S. 168A.29, subd. 1(a) (5)

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures – HUTD	$300	$600	$900	$1,200
Expenditures – Sp Rev	1,000	1,175	1,354	1,538
Revenues – Sp Rev	1,081	1,260	1,444	1,633
Net Fiscal Impact	$219	$515	$810	$1,105

Recommendation
The Governor is recommending an increase in license plate fees and license plate transfer fees in order to pay for the costs related to plate production and distribution. This increase in fees will include several categories of plates where a fee has not been previously collected and the plate transfer fee. These new categories include all of the collector series license plates, dealer license plates, in-transit plates, and plates for manufacturer test vehicles. The Governor also recommends an increase in the appropriation from the highway user tax distribution fund of $300,000 in FY 2008, $600,000 in FY 2009, $900,000 in FY 2010 and $1.2 million in FY 2011.

Background
Driver and Vehicle Services contracts with the Department of Corrections (MINNCOR) for the manufacture of license plates as well as for the distribution of plates to its agents. Material and production costs have increased and DVS cannot absorb these costs, since the revenue collected only covers current operations and production costs that were estimated in the previous biennium.

DVS has carefully reviewed the current fee structure and believes that additional fees are warranted so that it can more equitably charge all Minnesota residents who require plates and tabs and, at the same time, collect the additional revenue needed to sustain its plate production program, recovering all costs associated with plate production, distribution and the vehicle registration renewal process. The fee for the passenger plate will increase by $1.75 to $6.00.

Collector classes (Pioneer, Classic, Collector, and Street Rod) are initially issued a license plate when the appropriate registration fee is paid at no additional charge. Charging a new plate fee of $15 for double plates will cover increased manufacture, production, and mailing costs.

Currently a special plate may be transferred for $5. This fee includes a regular replacement plate for the vehicle previously displaying the special plate. Increasing the fee will address the increase in license plate material and production cost.

Relationship to Base Budget
Production of license plates is fee based, and the fees pay for the fixed costs associated with these products. Plate costs include materials, staff, production equipment, storage, distribution to state facilities, deputy registrars and dealers and sales tax. Production and distribution of month and year registration stickers, renewal notices and validation stickers are also included, as well as all postage related to renewals, issuance of plates and tabs. DVS was appropriated $7.036 million in FY 2007 to cover the cost of collecting the taxes. DVS anticipates costs to increase approximately $300,000 a year from FY 2008 to FY 2009.

Key Measures
This initiative ties directly to DVS goals to provide fair, accurate, secure and timely service (FAST) to Minnesota residents, businesses and DVS business partners. Without the increased funds DVS would have to divert funds from operations and service levels would be degraded since it is mandatory to issue license plates and registration materials in order to comply with Minnesota statutes. This initiative would insure that registration materials are fully supported by the fees authorized under law.

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Statutory Change: The statutory citations for the plate fee increases are:

M.S. 168.10:	Collector series license plates
M.S. 168.12, subd. 5:	License plates (general)
M.S. 168.27, subd. 16:	Dealer plates
M.S. 168.27, subd. 17:	In-transit plates

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	$72	$68	$68	$68
Revenues	0	0	0	0
Net Fiscal Impact	$72	$68	$68	$68

Recommendation
The Governor is recommending that Driver and Vehicle Services (DVS) expenditure authority be increased to provide funding for a driver license and motor vehicle records contract coordinator who will process user agreements and business partner contracts and monitor compliance with the permissible uses of driver license and motor vehicle data to ensure data privacy and data security.

Background
DVS requires all users of driver license and motor vehicle data to sign agreements outlining permissible use which requires their use of DVS data practices and their willingness to comply with DVS data practices policies and procedures. In all data practices agreements with business partners and users of motor vehicle and driver license data, DVS requires each partner or user to keep records identifying each person or entity that receives DVS data and lists the permissible use under federal law for which the information is needed; users must also retain such information for five years. All records must be available for DVS to review and audits can be required at the expense of the business partners. DVS must investigate any alleged misuse of the data and must also ensure that audits of its use are conducted on a regular basis. In order for DVS to ensure data privacy and ensure the security of its data, a position is required to coordinate the completion of business partner contracts and maintain updated agreements in compliance with state and federal regulation. This position will also will oversee any external or internal compliance investigations that may need to occur and review audits done at the expense of DVS business partners on a routine basis.

Relationship to Base Budget
The fees paid to DVS should offset the costs associated with providing electronic files of driver license and motor vehicle data. The fee for this data must include costs associated with staff, programming, data storage, forms, and document imaging equipment. This position would be paid for with the fees charged for monthly/biweekly updates of the driver license database and/or the motor vehicle data base. These fees have not been increased in several years. DVS needs to ensure that all costs related to coordination of its record management program are paid for by the users of this data. This position will be included in the staffing costs for managing the DVS records system. As a result, DVS is requesting expenditure authority to be able to use the additional funding to support the costs associated with this contract coordinator position.

Key Measures
This proposal allows DVS to ensure permissible access to motor vehicle and driver license records, ensuring that the data remains secure and can be accessed in a timely manner under current data practices state and federal laws.

Statutory Change: Not applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	96	96	96	96
Net Fiscal Impact	$96	$96	$96	$96

Recommendation

The Governor recommends that the statutory authority under which licensed motor vehicle lessors are able to obtain partial year registration for motor vehicles owned and leased by those companies be amended so that this option is available on a one-time basis and the leasing company be charged the actual costs associated with operating this program.

Background

Minnesota statutes currently allow a licensed motor vehicle lessor to register a motor vehicle for a period of time greater than three months and for the registration period to end at a time chosen by the lessor. The rationale for this authority was that the licensed motor vehicle lessor (primarily daily rental companies) purchased a vehicle for lease to a customer and the leasing company did not retain ownership of the vehicle for an entire registration year. The lessor would purchase registration for a shorter period of time, such as four months, and at that time would sell the vehicle to a private party. The purchaser (private party) would pay the remainder of the year's vehicle registration. The underlying principle for the program's creation was that the daily rental companies would not have to purchase registration if they knew that they were selling the vehicle before the end of the registration year. Also, the purchaser was paying the registration tax at the time of purchase, so that the state was not losing any revenue by allowing the initial short registration period.

Current practice is that the lessor is purchasing short registration for four months and then renewing the registration for several additional short periods of time prior to selling the vehicle. As a result, this process has become a state-financed loan for leasing companies, allowing them to pay registration tax over an extended period of time without any cost to the vehicle owner.

This program is complex to administer due to the normal registration tax statutes which require different tax amounts depending on the model year of the vehicle and the vehicle's base value. When an owner does not purchase the entire year's registration, the tax computations for the remaining registration periods require additional entry and audit time to ensure accurate tax collections. This creates an administrative burden because this program involves manual processing.

In order to operate this program, Driver and Vehicle Services (DVS) requests that a $10.00 administrative fee be required so as to pay for the additional staff time needed for its administration. As a result, the companies that choose to participate in the benefits that the program offers would pay for the program's services. In addition, since the program was initially created to cover one short registration period before the vehicle was sold, statutory language is being added to limit this program to the initial short registration period before the vehicle must be placed into the normal registration tax system to reduce administrative costs and errors.

If a motor vehicle lessor, based on this proposed change, decides to not participate in this program, no additional fee will be collected. As a result, no additional costs will be incurred in order to administer the program.

Relationship to Base Budget

DVS requests the creation of this administrative fee. The fees charged to DVS customers support the DVS budget so that services such as these can be provided, in this case, to the leasing companies who benefit from this program.

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Key Measures

This initiative ties directly to DVS goals to provide fair, accurate, secure and timely (FAST) service to Minnesota residents and DVS business partners. In order to improve access to service and information, DVS must be able to respond to changes in volume and demand which can affect the ability to issue motor vehicle registrations and certificates of title. Increased agency accountability for activities contributes to the efficient and productive management of services and related deliverables.

Statutory Change: M.S. 168.017, subd. 3

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Activity Description

Vehicle Services is responsible for the regulation of all motor vehicles in Minnesota including issues related to: issuance of vehicle registration and titles, maintenance of motor vehicle records, collection of revenue, regulation of motor vehicle dealers, issuance of disability permits and plates, and inspection of salvaged and reconstructed vehicles.

Population Served

This division serves the general population of Minnesota, vehicle owners and lessees, deputy registrars, auto dealers, motor carriers, law enforcement agencies, lending institutions, insurance companies, and the court system.

Services Provided

⇒ Maintains over 6.2 million vehicle ownership and registration records.

⇒ Verifies ownership documents and issues certificates of title to owners and lien notification cards to lenders.

⇒ Issues license plates and registration stickers.

⇒ Issues temporary and permanent disability license plates and parking certificates to qualified applicants.

⇒ Collects registration and fuel taxes from interstate motor carriers through the administration of two international registration and fuel tax agreements, offering online registration and fuel tax reporting to carriers.

⇒ Partners with appointed public and private deputy registrars to provide motor vehicle services to citizens at over 173 locations throughout the state. Seventeen of those offices also provide service to carriers with interstate registration.

⇒ Provides training and support to appointed deputy registrars and licensed motor vehicle dealers and ensures agent and dealer compliance with Minnesota statutes and rules.

⇒ Prepares and distributes procedural manuals and bulletin updates related to motor vehicle title and registration issues.

⇒ Provides information services related to vehicle registration and titling to citizens, deputy registrars, auto dealers, courts, and law enforcement agencies, by phone, letter, Internet, and e-mail. Deputy registrars and auto dealers also have access to the Driver and Vehicle Services (DVS) web site designed to bring information and online services to Vehicle Services business partners.

⇒ Provides self-service options for vehicle registration renewal, report of vehicle sale, and purchase of critical habitat and Support Our Troops license plates. Registration stickers and license plates are delivered to customers in 10 days or less.

⇒ Offers mail-in option for registration renewals. Registration materials are mailed to customer in four business days or less.

⇒ Staffs an office in St. Paul, where citizens may file a traffic crash report, obtain motor vehicle records, perform online services at a kiosk, and access division records.

⇒ Issues a variety of special license plates, including personalized, critical habitat, veteran, collector, and special use plates.

⇒ Business liaisons visit deputy registrars and dealers in order to provide information, training and conduct audits.

Activity at a Glance

During FY 2006:

- Twenty four percent of registration renewals completed as self service transactions (includes Internet and mail renewals).

In FY 2006 the division:

- Processed over five million vehicle transactions.
- Issued 1.4 million vehicle ownership certificates of title.
- Licensed 3,900 motor vehicle dealers; 42 % renewed with self-service online licensing.
- Collected over $1.1 billion in revenue.
- Processed over one million vehicle registration renewals and payments by Internet and mail using an automated process.
- Agents processed over three million motor vehicle transactions in real-time online.
- Processed 248 motor vehicle transactions as part of a FAST Track process. This optional service that began in May 2006 allows titles to be processed within three business days.

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Historical Perspective

The DVS customer service delivery model is based on providing service options to our customers. The online vehicle registration renewal program was the first self-service program offered by DVS in 2000. In April 2005, the online registration renewal program was taken off-line for nine months to rewrite the program and install security upgrades to this system. The upgraded tab renewal online system has been in operation since December 2005. DVS has also been expanding the access that our business partners have to electronic transactions. Deputy registrars renew registration and process duplicate title and sticker requests online in real-time. They also report their work to us in a standardized form online. Interstate carriers have access to online registration renewal and fuel taxes filing. Dealers are able to renew their license to do business online. In May 2006, DVS began offering an optional expedited title service ("FAST Track" process) and have worked with Deputy Registrars to offer this optional service to those customers who need a title as soon as possible. DVS is currently working with a third party vendor on an electronic registration process based on a partnership between dealers, Deputy Registrars, and DVS allowing for electronic title issuance so that the customer can receive plates at the point of sale from the dealer for an optional customer service fee. These expansions are part of an ongoing technology improvement plan to provide citizens and business partners with more options to receive fair, accurate, secure, and timely (FAST) service from Driver and Vehicle Services.

Key Measures

⇒ Wait times for delivery of service.
⇒ Access to service and information.

Vehicle Services Performance Targets

Target is an average annual turnaround for processing titles of 14 days or less. Vehicle registration target is two days.

Performance Targets FY 2006	Processing Time* for Issuance of Vehicle Title	Processing Time* for Vehicle Registrations	Self Service Transactions
Quarter 1**			
- Actual	49-59 days	2 days	22%
Quarter 2			
- Actual	12-66 days	2 days	23.7%
Quarter 3			
- Actual	5-12 days	2 days	27.2%
Quarter 4			
- Actual	5-17 days	2 days	24%
FY 2007 Targets	**14 Days**	**2 Days**	**30%**

***** Processing time is when request is received until the title or registration is mailed.
** State of Minnesota was affected by a shutdown in this quarter.

Activity Funding

This activity is funded by a mix of Special Revenue Funds and Highway User Tax Distribution Fund appropriations. The funding of this activity from the Special Revenue Fund is in the Vehicle Services Operating Account.

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PUBLIC SAFETY DEPT
Program: DRIVER & VEHICLE SERVICES
Activity: VEHICLE SERVICES

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Misc Special Revenue					
Current Appropriation	16,663	17,009	17,009	17,009	34,018
Technical Adjustments					
One-time Appropriations			(91)	(125)	(216)
Subtotal - Forecast Base	16,663	17,009	16,918	16,884	33,802
Governor's Recommendations					
Vehicle Services Operating Account		0	731	869	1,600
License Plate Production		0	1,000	1,175	2,175
DL & Motor Veh. Records Coordinator		0	47	45	92
Total	**16,663**	**17,009**	**18,696**	**18,973**	**37,669**
Highway Users Tax Distribution					
Current Appropriation	6,966	7,036	7,036	7,036	14,072
Subtotal - Forecast Base	6,966	7,036	7,036	7,036	14,072
Governor's Recommendations					
License Plate Production		0	300	600	900
Total	**6,966**	**7,036**	**7,336**	**7,636**	**14,972**
Expenditures by Fund					
Direct Appropriations					
Misc Special Revenue	13,789	18,905	18,696	18,973	37,669
Highway Users Tax Distribution	5,956	8,046	7,336	7,636	14,972
Statutory Appropriations					
Misc Special Revenue	58	578	189	189	378
Federal	21	0	0	0	0
Reinvest In Minnesota	9	10	10	10	20
Miscellaneous Agency	0	1,975	3,950	3,950	7,900
Gift	42	69	45	45	90
Total	**19,875**	**29,583**	**30,226**	**30,803**	**61,029**
Expenditures by Category					
Total Compensation	8,130	12,417	11,540	11,662	23,202
Other Operating Expenses	11,707	15,280	14,930	15,385	30,315
Other Financial Transactions	38	1,886	3,756	3,756	7,512
Total	**19,875**	**29,583**	**30,226**	**30,803**	**61,029**
Full-Time Equivalents (FTE)	**152.6**	**192.2**	**195.1**	**195.0**	

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Activity Description

Driver Services is responsible for the regulation of all licensed drivers in Minnesota including issues related to: identification, examination, licensing, and evaluation of drivers; issuance of driver's licenses and identification cards; maintenance of driver history and traffic crash data; licensing of driver training instructors and schools; and collection of revenue.

Population Served

The division serves the general population of Minnesota, licensed drivers, driver education instructors and schools, driver license agents, the court system, and law enforcement agencies.

Services Provided

⇒ Maintains 4.1 million driver history records.

⇒ Administers driver's license examinations. Driver Services staff administer knowledge (written) and skill (road) exams at 95 locations throughout the state. In FY 2006, 569,218 total tests were conducted, including general (Class D), commercial vehicle licensing, motorcycle, and school bus. Of those, 424,951 were knowledge tests and 144,267 were skill tests. Over 24,000 foreign language knowledge tests were administered in seven languages at 24 testing facilities.

⇒ Offers 139 sites throughout the state to renew or apply for a Minnesota driver's license, identification card, or permit in partnership with 125 appointed driver's license agents.

⇒ Issues expedited (FAST Track) driver's licenses and Identification Cards.

⇒ Develops and publishes driver manuals to assist individuals in preparing for the driver's license tests. Manuals are also available electronically on the division's web site, including the Spanish translation of the Class D manual.

⇒ Issues driver's licenses, identification cards, and permits. An online application process delivers a duplicate or renewed license, permit, or ID card to the customer in less than seven days in comparison to 13 days (including average mailing time) using the manual issuance process.

⇒ Provides driver compliance evaluations for problem drivers throughout the state. Evaluators met with 36,566 drivers in FY 2006.

⇒ Provides information services to the public by phone, letter, and e-mail.

⇒ Licenses over 98 commercial driver education schools and over 528 driver education instructors.

⇒ Approves the 260 public and private high school driver education programs which employ a little over 1,000 instructors; approves motorized bicycle courses, accident prevention courses for drivers 55 or older, and DWI clinics.

⇒ Maintains all Minnesota traffic crash records online.

⇒ Provides service to law enforcement and the courts.

Activity at a Glance

During FY 2006 the division has:

- Reduced processing time for driver's licenses from 36 days to 10 days.
- Scheduled over 167,000 road tests online.

In FY 2006 the division:

- Issued 1.62 million cards – including driver's licenses, ID cards, and permits.
- Conducted over 346,000 general (Class D) knowledge and skill examinations.
- Reinstated the driving privileges of 193,000 drivers.
- Suspended, canceled, revoked, or disqualified the driving privileges of 245,000 drivers.
- Processed 18 FAST Track driver's licenses and 11 Identification (ID) Cards. This optional service that began in May 2006 allows licenses and IDs to be processed within three business days.

Historical Perspective

In the past year, Driver Services has worked to provide fair, accurate, secure, and timely (FAST) service to the public and its business partners (law enforcement, court systems, driver's license agents, driver instructors, schools, and third party examiners). The creation of the Driver & Vehicle Services (DVS) web site designed for use by DVS stakeholders, provides these partners access to simple-to-read driving records, regional on-line scheduling of driver's tests, and an online driver's license application process. Currently, approximately 60% of all driver's licenses and ID cards are entered at point-of-service and licenses are produced in three days. The

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provision of online services has simplified the process for the end user and streamlined the process for the division, enabling the division to meet many of its target goals. A new, more secure format for Minnesota's driver's license/ID card was designed, tested, and issued beginning 12-15-04. Since then, over 2.5 million cards have been issued.

Key Measures

⇒ Wait times for delivery of service.
⇒ Access to service and information.

Driver Services Performance Targets:

Performance Targets FY 2006:	Wait for Skill (Road) Test Appointments*	Processing Time** for Issuance of Driver's License
Quarter 1		
- Target		14 days
- Actual	18 Days	30 Days
Quarter 2		
- Target	15 Days	14 Days
- Actual	14 Days	24 Days
Quarter 3		
- Target	15 Days	14 Days
- Actual	11 Days	14 Days
Quarter 4		
- Target	20 Days	14 Days
- Actual	19 Days	10 Days
FY 2007 Targets	**12 Days**	**10 Days**

***** Number of days per quarter is based on the average number of days for that quarter.
** Processing time is based on the date the request is received until the date the license is issued.

Activity Funding

This activity is funded by a mix of Special Revenue Funds and federal funds. The funding of this activity from Special Revenue Funds is in the Driver's License Operating Account, Motorcycle Safety Account (driver license motorcycle endorsement fee), DWI Reinstatement Account (driver license reinstatement fee).

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Misc Special Revenue					
Current Appropriation	28,006	26,965	26,965	26,965	53,930
Subtotal - Forecast Base	28,006	26,965	26,965	26,965	53,930
Governor's Recommendations					
Driver Services Operating Account		0	949	1,723	2,672
DL & Motor Veh. Records Coordinator		0	25	23	48
Total	**28,006**	**26,965**	**27,939**	**28,711**	**56,650**
Trunk Highway					
Current Appropriation	31	1	1	1	2
Subtotal - Forecast Base	31	1	1	1	2
Total	**31**	**1**	**1**	**1**	**2**
Expenditures by Fund					
Direct Appropriations					
Misc Special Revenue	24,365	25,804	26,778	27,550	54,328
Trunk Highway	11	31	1	1	2
Statutory Appropriations					
Misc Special Revenue	241	311	200	200	400
Federal	301	2,078	403	0	403
Total	**24,918**	**28,224**	**27,382**	**27,751**	**55,133**
Expenditures by Category					
Total Compensation	16,923	17,734	18,256	18,999	37,255
Other Operating Expenses	7,995	10,490	9,126	8,752	17,878
Total	**24,918**	**28,224**	**27,382**	**27,751**	**55,133**
Full-Time Equivalents (FTE)	**319.1**	**327.5**	**328.2**	**328.3**	

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Program Description

The Office of Traffic Safety (OTS) was created to reduce traffic crashes through enforcement efforts, community programs and public awareness events. Traffic crashes are the leading cause of death and serious injury for Minnesotans from the age of one through 34 years of age.

Population Served

The office works most often with the enforcement, public health, research, and media communities, and with other traffic safety organizations, to improve the behavior of drivers, passengers, pedestrians, and motorcyclists on Minnesota roadways.

Program at a Glance

- 193 grants to local units of government in 68 counties. 36 statewide grants to other state agencies, other divisions of Public Safety, and nonprofits.
- More than $30 million in grants and programs, requiring OTS applications for 11 different federal programs.
- To better serve our partners, grant applications are now available from our web site at www.dps.state.mn.us/ots/ and some grantee reports can be submitted online.

Services Provided

OTS collaborates with other divisions in the Department of Public Safety (DPS), other state agencies, county and city governments, school districts, and private organizations and individuals to conduct traffic safety programs throughout Minnesota. The federal funds allow us to support traffic safety action programs and innovative technological solutions to a variety of traffic safety problems – from overtime patrols for law enforcement, to the development of new database links, to computer solutions for Driver and Vehicle Services and beyond. Finally, we see ourselves as sound stewards of public funds, seeking to invest in programs that will reduce not only the economic cost of crashes in Minnesota, but also the emotional toll on families of crash victims.

OTS serves as the governor's representative for highway safety and coordinates Minnesota's participation in the National Highway Traffic Safety Administration's (NHTSA) State and Community Highway Safety grant program. In addition to the NHTSA federal grant programs, OTS coordinates and manages several state-funded programs (including the motorcycle safety program and the child seats for needy families program) and other federal grant programs (the block grant and discretionary grants made available through the Office of Juvenile Justice and Delinquency Prevention to combat underage drinking). OTS also produces Minnesota Motor Vehicle Crash Facts to satisfy the requirements of M.S. 169.10.

State program administrators (roughly half of the OTS staff of 20) serve as grant coordinators and project designers who interact with grant recipients and funding agencies. Coordinators also act as program experts who testify before the legislature, answer questions from the media and the general public, and advise policy makers and legislative staff on issues related to the program areas they coordinate. OTS has three research analysts who analyze traffic crash data from Minnesota, produce the legislatively-mandated Minnesota Motor Vehicle Crash Facts booklet, identify traffic safety problem areas for the coordinators, answer questions from the general public, and evaluate the effectiveness of various traffic safety programs. Other office activities include participation in the Fatal Analysis Reporting System, a national database on fatal motor vehicle crashes which is internationally known and respected.

OTS employs a variety of methods to gather input from other people involved in traffic safety issues. The key advisory boards and networks used include the Toward Zero Deaths Committee, Traffic Safety Partners Group, Traffic Records Coordinating Committee, Network of Employers for Traffic Safety Advisory Board, *Safe and Sober* Law Enforcement Liaisons, DWI Task Force, Motorcycle Safety Advisory Board, and Child Passenger Safety Advisory Board.

Historical Perspective

While a great deal of progress has been made since the early days of OTS, traffic crashes are still a critical public health problem. If we compare 1975 Minnesota data with 2005 data we find:

⇒ Licensed drivers have increased 54%, registered vehicles have increased 74%, and vehicle miles traveled have increased over 120%. During the same time, the state's population increased 33%. More of us drive,

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and we drive more often than we used to. Our exposure to the risk of a traffic crash has increased as a result of these factors.

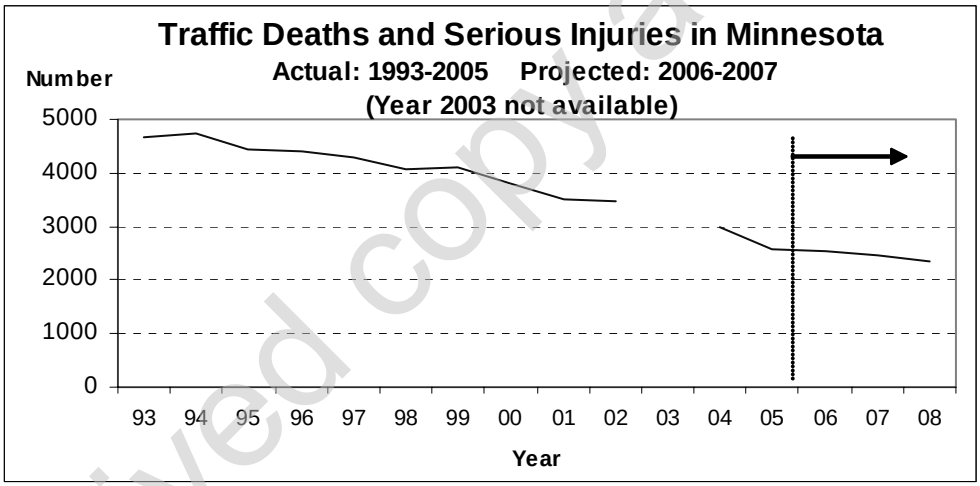
⇒ From 1975 to 2005, the number of traffic-related deaths fell 28% and severe injuries fell over 86%. A crash today is more likely to result in a moderate or possible injury – increases of 2% and 36% respectively. Today's vehicles are better designed to protect the people inside when a crash happens and more of our travel is done on four-lane divided highways with limited access and advanced safety features – the safest type of roadway. The change most responsible for the declining severity of crashes is the 14-fold increase in occupant protection use seen over the past 30 years – from less than 6% in 1975 (when many cars on the road weren't even equipped with belts) to 84% in 2005.

⇒ Comparing 1975 and 2005, the number of Driving While Impaired (DWI) arrests have increased 168%. Males accounted for 90% of alcohol related traffic deaths in 1975 and for less than 80% in 2005. Although the legal drinking age has not changed since 1975, the age of drinking drivers involved in fatal crashes has. In 1975, 29% of the drinking drivers in fatal crashes were under the age of 21. In 2005, that age group represented 17% of the drinking drivers in fatal crashes.

⇒ Crash costs include emergency medical services, hospitalization, hospital staff, rehabilitation, administrative, and liability. In Minnesota, crash costs have increased about 190% since 1975. In 2005, Minnesota taxpayers and insurance policy holders footed the bill for costs of nearly $1.7 billion.

Key Measures

- Reduce the number of traffic deaths and serious injuries in Minnesota
- Increase seat belt use in Minnesota
- Decrease impaired driving in Minnesota



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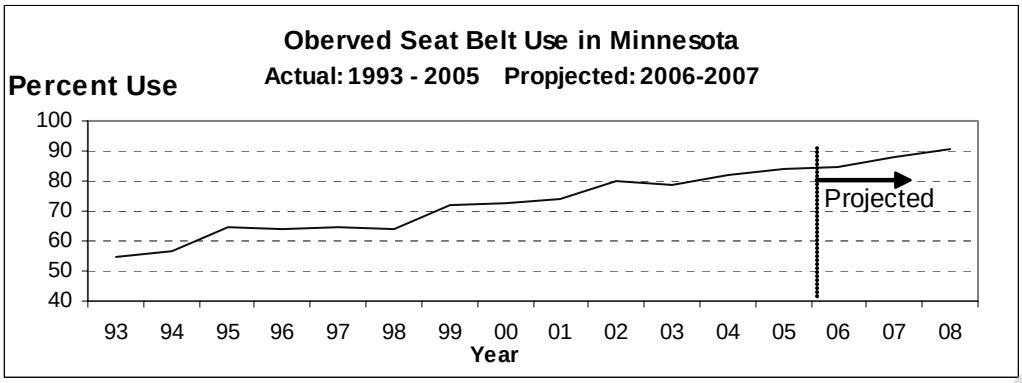

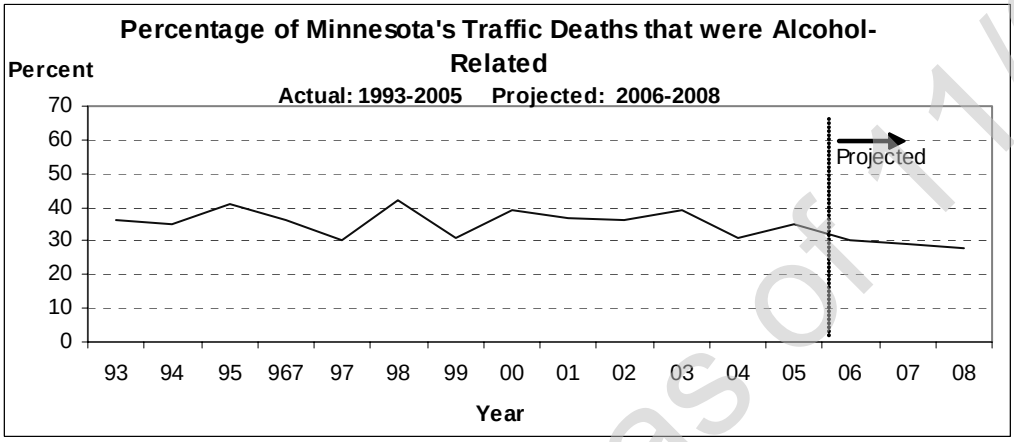

Program Funding

Traffic Safety program is funded by a mix of Special Revenue Funds, Trunk Highway Fund appropriations, and federal funds. The sources of the Special Revenue Funds are motorcycle endorsement fees on drivers' licenses (the Motorcycle Safety Account) and child restraint car seat violations (the Minnesota Child Passenger Restraint and Education Account). The Trunk Highway Fund appropriation is a required match for receiving the federal funding.

Contact

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Trunk Highway					
Current Appropriation	324	324	324	324	648
Subtotal - Forecast Base	324	324	324	324	648
Governor's Recommendations					
Federal Match Increase-Traffic Safety		0	111	111	222
Total	**324**	**324**	**435**	**435**	**870**
Expenditures by Fund					
Direct Appropriations					
Trunk Highway	287	361	435	435	870
Statutory Appropriations					
Misc Special Revenue	545	883	593	593	1,186
Federal	16,865	27,120	17,416	17,416	34,832
Gift	22	23	10	10	20
Total	**17,719**	**28,387**	**18,454**	**18,454**	**36,908**
Expenditures by Category					
Total Compensation	1,289	1,385	1,417	1,467	2,884
Other Operating Expenses	1,748	2,935	2,670	2,626	5,296
Local Assistance	14,682	24,067	14,367	14,361	28,728
Total	**17,719**	**28,387**	**18,454**	**18,454**	**36,908**
Expenditures by Activity					
Traffic Safety	17,719	28,387	18,454	18,454	36,908
Total	**17,719**	**28,387**	**18,454**	**18,454**	**36,908**
Full-Time Equivalents (FTE)	**17.7**	**18.0**	**18.0**	**18.0**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	111	111	111	111
Revenues	0	0	0	0
Net Fiscal Impact	$111	$111	$111	$111

Recommendation

The Governor recommends increasing by $111,000 per year state funds for the Office of Traffic Safety (OTS) to plan and administer grants received from the National Highway Traffic Safety Administration (NHTSA). While the federal funds have greatly increased in the last ten years (from less than $4 million in 1997 to about $20 million in 2007), the state funds required as state match for planning and administration have not increased.

Background

In 1966, Congress passed the Highway Safety Act, legislation creating and funding the NHTSA to address the fact that over 50,000 people were dying on US roadways each year. As part of the requirements to receive state and community highway safety program grants from NHTSA under the Act, states were required to designate highway safety offices. In 1968, the Office of Traffic Safety was set up in Minnesota to fulfill that requirement. The Highway Safety Act requires states to share equally in the ongoing costs of planning and administration of the program; for every federal dollar spent on planning and administration, a state dollar must be spent. Up to 10% of Section 402 NHTSA funds may be spent on administration, as long as the matching requirement is met.

The Highway Safety Act has continued to be revised and amended over the years; with authorization occurring around every six years and appropriations made annually.

The OTS's first and only request for additional state planning and administration dollars since the office was established was submitted ten years ago, in preparation for the 1998-1999 state biennium. That request was approved.

When the program began, there were only two different classifications of NHTSA funds. In 2006, the start of a new NHTSA appropriation cycle, the OTS will be tracking 21 different funding classifications. NHTSA funding has increased nearly three-fold in the intervening ten years - complicating and building a greater need for efficient and effective planning and administration services. In addition to the greater need based on funding increases and greater complexity, all costs charged to planning and administration, such as rent, mailing, in-state travel, and salaries have increased each year. As a result, more costs such as in-state travel, large mailings, and two full-time staff positions have been moved out of administration and into federally funded programs.

To improve customer service to our grantees and improve the efficiency of grant management, the OTS needs to move to an electronic, web-based grant system. Normally that would be considered an administrative cost. The NHTSA has allowed us to budget the majority of the initial cost of an electronic, web based, grant system into OTS programs rather than planning and administration. However, there will be on-going maintenance and improvement costs to such a system that will be required to be covered by the administration budget where the federal costs must be matched by an equal state amount.

Further information on the OTS and its programs is available at www.dps.state.mn.us/ots.

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Relationship to Base Budget

The increased state funding of $111,000 per year will restore the proper balance to the administration of Minnesota's traffic safety program and it will allow OTS to channel NHTSA funds to other state and local programs. State funding from the trunk highway fund will be $435,000 per year rather than $324,000 per year. Federal funding for OTS programs is approximately $20 million per year, the vast majority of which is used for grants to counties, cities, and other state agencies.

Increasing the state budget will result in an equal amount of increase in federal grants. In addition, services provided to grantees will increase.

Key Measures

OTS will comply with the NHTSA requirements for planning and administrative activities and costs.

⇒ No more than 10% of federal Section 402 funds will be spent on planning and administration of OTS programs.

⇒ An equal amount of state funds will be spent on planning and administration of OTS programs.

Statutory Change: Not Applicable.

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Program Description

The Office of Pipeline Safety (MNOPS) protects Minnesota's lives, property, and environment through a comprehensive oversight program of gas and hazardous liquid pipelines. This is accomplished through education, inspection, enforcement and accident investigations. MNOPS conducts safety inspections of all pipeline facilities as authorized by state law and the United States Department of Transportation (U.S. DOT/OPS).

Population Served

The Office of Pipeline Safety protects the public safety of all Minnesotans by inspecting over 30 municipal gas systems, 10 private gas systems, over 100 total pipeline facility operators (which operate over 65,000 miles of pipelines in the state) and over 1.5 million customer meter settings.

Program at a Glance

- Minnesota's 12 inspectors have over 65,000 miles of pipelines to inspect; which includes over 9,000 miles of large diameter high pressure interstate transmission pipelines.
- There are 30 municipal gas systems, 10 private gas distribution systems, and 100 pipeline facility operators in Minnesota.
- Minnesota's Damage Prevention Program conducted 260 presentations to nearly 20,000 people between 2003 and 2005.
- The Office of Pipeline Safety is funded up to 50% by a U.S. Department of Transportation/OPS grant and 50% from a special revenue account.

Services Provided

Pipeline Inspections:

⇒ Twelve pipeline inspectors are responsible for statewide inspection of the natural gas and hazardous liquid industry. As agents for the U.S. DOT, Minnesota staff inspects over 9,000 miles of interstate pipelines in addition to over 56,000 miles of intrastate pipelines.

⇒ Staff responds to pipeline accidents and incidents, working cooperatively with the National Transportation Safety Board, U.S. DOT/OPS, and the Minnesota Pollution Control Agency.

⇒ The Office has field personnel located in Mankato, Grand Rapids, and Detroit Lakes as well as Saint Paul.

Damage Prevention:

The office promotes damage prevention, enforces the Gopher State One-Call law (requires excavators to call before they dig and utility operators to mark their facilities), supports an emergency notification center, and maintains data and maps on pipelines. MNOPS conducts "dig safely" education seminars at several utility coordinating committees, Gopher State One-Call, public speaking opportunities, the Gopher State One-Call State Fair exhibit, pipeline operator training and damage prevention seminars

Historical Perspective

The Office of Pipeline Safety was created in 1987 following a major pipeline release that ignited in Mounds View. In 1991, the office became fully qualified to inspect all interstate pipelines under authority of U. S. Department of Transportation, Research and Special Programs Administration. As a condition of its federal pipeline grant funding, the office must continue to train its inspectors, meet federal standards, and pass an annual program audit.

Federal program changes have placed increased federal inspection requirements in risk and integrity management, operator qualifications, and expanded community liaison between emergency officials and pipeline operators.

Minnesota has initiated new efforts with industry to inform local communities and emergency responders about responding to pipeline incidents. The Minnesota Pipeline Community Awareness and Emergency Response program (C.A.E.R.) has conducted over 25 local meetings throughout the state.

The Office has identified nearly 8,607 violations and has issue nearly over $1.2 million in penalties since 1994.

Nationally, the MNOPS continues as a leader in its inspection program, and its damage prevention education and enforcement efforts.

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Key Measures

⇒ **The number of pipeline leak repairs.** The goal is to reduce pipeline leak repairs through inspection and enforcement 5% by June 2007.

⇒ **Continue to reduce damages/locates for pipeline operators each year.**

The number of educational presentations to excavators, emergency responders, local officials, operators, and homeowners. **The goal is to conduct 90 educational presentations by June 2007**

Program Funding

This program is funded by a mix of Special Revenue Funds and federal funds. The source of the Special Revenue Funds is pipeline safety inspection fees (Pipeline Safety Account).

Contact

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Misc Special Revenue					
Current Appropriation	994	994	994	994	1,988
Subtotal - Forecast Base	994	994	994	994	1,988
Governor's Recommendations					
Pipeline Safety Funding Increase		0	264	255	519
Compensation Adjustment		0	57	105	162
Total	**994**	**994**	**1,315**	**1,354**	**2,669**
Expenditures by Fund					
Direct Appropriations					
Misc Special Revenue	879	994	1,315	1,354	2,669
Statutory Appropriations					
Misc Special Revenue	52	80	80	80	160
Federal	984	923	923	923	1,846
Total	**1,915**	**1,997**	**2,318**	**2,357**	**4,675**
Expenditures by Category					
Total Compensation	1,408	1,487	1,687	1,744	3,431
Other Operating Expenses	506	510	631	613	1,244
Other Financial Transactions	1	0	0	0	0
Total	**1,915**	**1,997**	**2,318**	**2,357**	**4,675**
Expenditures by Activity					
Pipeline Safety	1,915	1,997	2,318	2,357	4,675
Total	**1,915**	**1,997**	**2,318**	**2,357**	**4,675**
Full-Time Equivalents (FTE)	**18.3**	**18.6**	**20.7**	**20.6**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	264	255	255	255
Revenues	264	255	255	255
Net Fiscal Impact	$0	$0	$0	$0

Recommendation
The Governor recommends that the Office of Pipeline Safety special revenue spending cap be raised from the present $994,000 amount. The increase is needed to adequately carry out the pipeline safety inspection program, incident investigation and damage prevention (one-call) enforcement program. The increase is also needed to fully utilize available federal grant funds.

Background
The Office was created in 1987 following a special legislative commission that was established as a result of the William's pipeline incident in Mounds View. The office is responsible for inspecting over 65,000 miles of interstate and intrastate pipelines in Minnesota under M.S. 299J and M.S. 299F. Pipeline incidents are often the result of excavation damage; therefore, the office was also given the education and enforcement responsibilities for M.S. 216D (Gopher State One-Call Law) which applies to all underground utilities. Minnesota's damage prevention enforcement program is one of only two states being referred to nationally as having a model program. The legislature directed the Office to become federal interstate agents for the U.S. Department of Transportation. Pipeline and Hazardous Materials Safety Administration (U.S. DOT/PHMSA), and in 1991 assumed responsibility for all interstate inspections. As part of the federal/state partnership, Minnesota receives up to 50% of its funding from the federal grant program.

Relationship to Base Budget
The office's funding is derived through a federal grant (up to 50%) and the remaining funding is obtained through special revenue charged to the pipeline companies that operate in Minnesota. The present special revenue spending cap established by the state legislature is $994,000. This cap was last raised in 2000. The percentage of federal grant money received from PHMSA is determined by an annual federal performance audit score and the amount of federal money available to fund state pipeline safety programs. Minnesota has consistently received audit scores of 100%; however, PHMSA has not had enough money available to provide full 50% funding. Therefore the special revenue fund has to make up a larger portion of the budget. In 2006, the office was granted only 43% funding. This means the special revenue fund would have to provide the balance of 57%.

Until recent years, the Office has always operated well below the cap, but due to increasing costs this margin has diminished. In 2006, the Office submitted a $2,028,710 dollar budget to PHMSA and was awarded only 43% from PHMSA. This means the special revenue fund would have to provide $1,156,365, yet the special revenue spending cap is $994,000. Because the federal grant comes in the form of a percentage and not a dollar value the office is limited from obtaining the full 43% funding from the original budget submitted to PHMSA. The federal match is reduced commensurate with the reduced state spending, effectively leaving available federal grant funds on the table.

Key Measures
Minnesota is faced with several large scale pipeline construction projects over the next budget cycle. Over the next two years, nearly 900 miles of pipeline will be added to the existing 9,008 miles of high pressure cross country hazardous liquid and natural gas pipelines already in the state. These large projects, in addition to the new inspection requirements which address integrity management, operator qualification and public awareness continue to increase the inspection case load. These new inspections are very detailed, often requiring additional time and expertise to conduct. The office case load in the area of damage prevention education and enforcement

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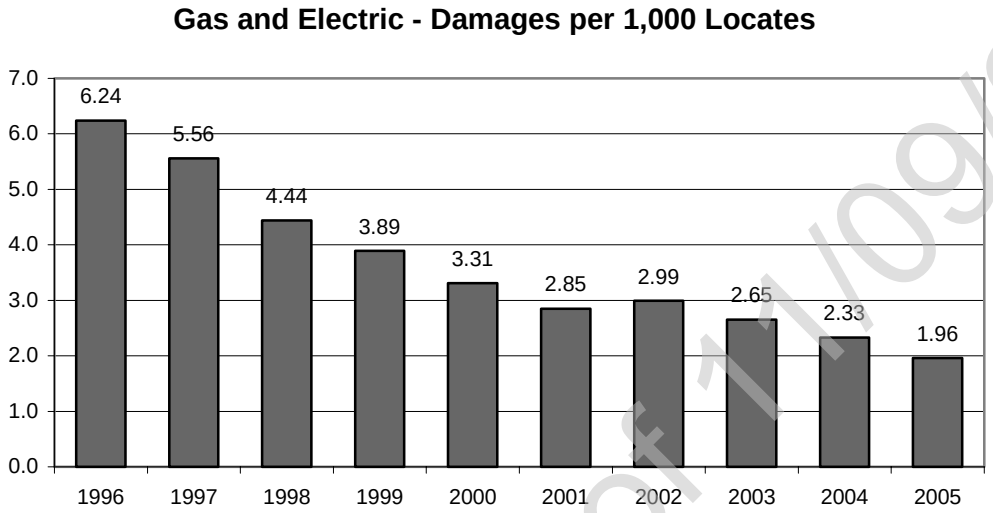
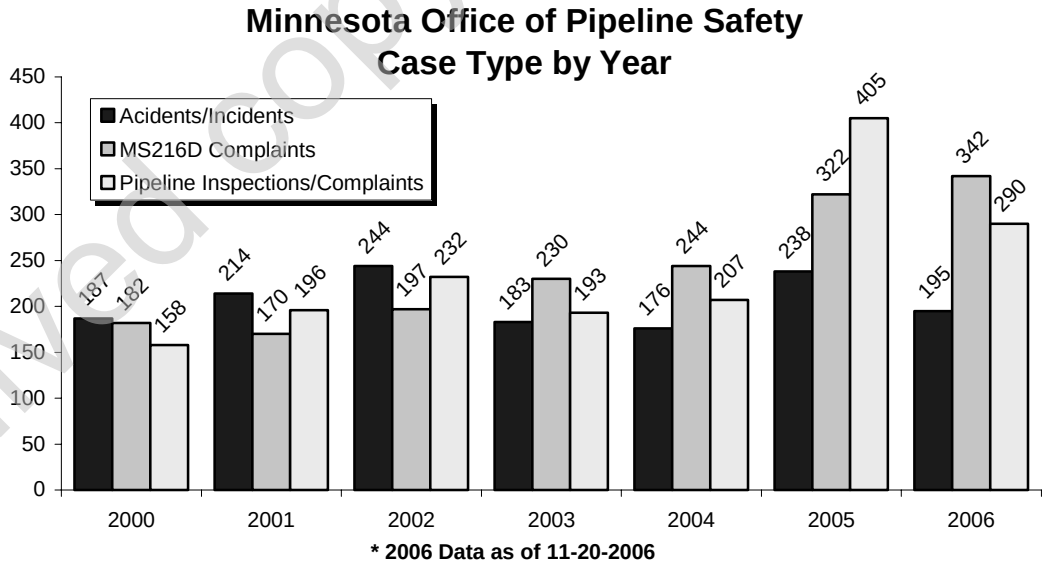
has also risen dramatically over the past few years, even though damages have dramatically decreased. This is largely because persons reporting damages or filing complaints are confident that the Office will investigate and enforce the law.



The Office case load has increased significantly over the past few years as depicted in the chart below. New inspection requirements and increased construction activity are expected to increase this case load even more. Inspections are currently conducted with ten full time pipeline inspectors and two staff that primarily handle excavation damage incidents and one-call complaints. Raising the special revenue cap as proposed would also allow for the addition of two inspectors/engineers.



Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$133	$206	$206	$206
Revenues	0	0	0	0
Other Fund				
Expenditures	4,129	6,834	6,834	6,834
Revenues	57	105	105	105
Net Fiscal Impact	$4,205	$6,935	$6,935	$6,935

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs, 3.25% for costs in other funds, and 5.4% for costs related to selected public safety functions.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	26,179	28,187	16,490	16,490	32,980
Trunk Highway	884	1,588	1,588	1,588	3,176
Environmental	0	0	11,750	11,750	23,500
Other Revenues:					
General	55	42	42	42	84
Trunk Highway	6,194	6,221	6,221	6,221	12,442
Highway Users Tax Distribution	892	959	959	959	1,918
Taxes:					
General	249,460	241,060	179,719	136,510	316,229
Highway Users Tax Distribution	656,909	634,564	673,008	718,454	1,391,462
Greater Minnesota Transit	7,691	7,329	0	0	0
Total Non-Dedicated Receipts	**948,264**	**919,950**	**889,777**	**892,014**	**1,781,791**
Dedicated Receipts:					
Departmental Earnings (Inter-Agency):					
General	1,043	985	1,014	1,014	2,028
Departmental Earnings:					
General	25	20	20	20	40
State Government Spec Revenue	1,357	1,406	1,406	1,406	2,812
Misc Special Revenue	62,534	64,446	68,688	68,941	137,629
Trunk Highway	9	15	15	15	30
Grants:					
Misc Special Revenue	0	192	0	0	0
Federal	33,929	42,079	29,761	29,374	59,135
Other Revenues:					
General	2	3	3	3	6
State Government Spec Revenue	21	0	0	0	0
Misc Special Revenue	4,660	5,064	4,545	4,589	9,134
Trunk Highway	145	40	40	40	80
Reinvest In Minnesota	3,606	3,600	3,600	3,600	7,200
Gift	110	80	80	80	160
Other Sources:					
Miscellaneous Agency	0	1,975	3,950	3,950	7,900
Taxes:					
Misc Special Revenue	1	0	0	0	0
Total Dedicated Receipts	**107,442**	**119,905**	**113,122**	**113,032**	**226,154**
Agency Total Revenue	**1,055,706**	**1,039,855**	**1,002,899**	**1,005,046**	**2,007,945**

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AGENCY: Public Safety, Department of (DPS)

PROGRAM: Administration & Related Services

PROGRAM DESCRIPTION:
National Highway Traffic Safety Administration (NHTSA) grant. This program receives a small amount of grant money to pay for a portion of the financial services provided to the traffic safety program.

NHTSA Highway Safety Grants. These programs are designed to reduce the number and severity of traffic crashes that occur in Minnesota by changing driver behavior. They include funding to the communications activity for an information and public education alcohol awareness campaign.

NHTSA Highway Safety Paid Media Grant. This grant was designed to reduce the number and severity of traffic crashes that occur in Minnesota by changing driver behavior through advertising.

Homeland Security. This program provides grant monies to fund homeland security preparedness and prevention activities through external communication dealing with homeland security topics.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

PROGRAM: Homeland Security and Emergency Management

PROGRAM DESCRIPTION:
Comprehensive Environmental Response Compensation and Liability Act (CERCLA). This program supports attendance by state representatives at Federal Response Plan-related coordination and planning meetings regarding state agency response to hazardous materials incidents.

Disaster Assistance Grants. These grants are provided to the state after a presidential declaration of a major disaster. The public assistance program provides assistance to local governments, state agencies, Indian Tribes and eligible private-non-profit entities to cover 75% of emergency costs and infrastructure repair/replacement costs resulting from the disaster.

Individuals and Households Program (IHP). Following a presidential declaration of a major disaster, this program provides assistance to eligible disaster victims for serious needs and necessary expenses caused by the disaster. Other individual assistance programs are also available for disaster unemployment and crisis counseling. The federal government contribution to the IHP is 75%; the state is obligated to pay the remaining 25% share.

Emergency Management Performance Grant (EMPG). This funding supports state emergency planning, training, and exercise programs. It also supports hazard mitigation, operational readiness, and regional support, including grants to counties to support local emergency management programs.

Hazardous Materials Emergency Preparedness (HMEP). This program supports hazardous materials incident preparedness-related planning, training, and exercises, local public safety support group development, and special projects that involve hazardous materials accident/incident preparedness.

Hazard Mitigation Grant Program (HMGP). This program provides assistance to local governments, state agencies, and eligible private, non-profit entities to fund activities/projects that will reduce the impact of future disasters.

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PROGRAM: Homeland Security and Emergency Management (cont'd)

Pre-Disaster Hazard Mitigation Program. This Program provides funding to States and communities for cost-effective hazard mitigation activities that reduce injuries, deaths, and property damage.

National Oceanic and Atmospheric Administration (NOAA) Weather Radio. This program provides funding to maintain transmitter sites, located throughout the state, for NOAA weather radio broadcasts.

Homeland Security. This program provides grant monies to fund a number of homeland security preparedness and prevention activities, including: planning, equipment acquisitions, training, and exercises.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

PROGRAM: Bureau of Criminal Apprehension (BCA)

PROGRAM DESCRIPTION:
Forensic DNA Programs. The goals and objectives of these programs are to improve infrastructure and analysis capacity so that DNA samples can be processed efficiently and cost-effectively and to provide needed support to allow the lab to process backlogged DNA cases that would otherwise not be analyzed in a timely manner.

National Forensic Science Improvement Act (NFSIA). This program provides funding to the forensic science laboratory for improved efficiency and productivity of operations. This funding is available for non-DNA related casework.

Edward Byrne Justice Assistance Grant Program (JAG), Computerized Incident Based Reporting System (CIBRS). This program provides for the creation and sharing of a law enforcement incident database to be used as a tool for Minnesota law enforcement agencies to aid investigations.

Computerized Criminal History (CCH) - Byrne. This program provides for re-engineering the computerized criminal history (CCH) and Automated Fingerprint Identification System (AFIS) to support CriMNet (statewide integration) and provide additional functionality for document control, applicant E-print and identification services. The first step is the development of a concept of operations (ConOps) document and the production of a Requirements document for business and technical requirements.

Local Law Enforcement Block Grant (LLEBG). These funds are provided for use in seven purpose areas for preventing and controlling crime.

National Criminal History Improvement Program (NCHIP). This program enables States to provide accurate and useful criminal records and improve the nation's public safety by facilitating accurate and timely identification of persons who work in positions of trust with children and vulnerable adults by enhancing the quality, completeness, and accessibility of the nation's criminal history record systems.

Community Oriented Policing Services (COPS). These funds provide for the continued development of technologies and automated systems to assist state and local law enforcement agencies in investigating, responding to and preventing crime.

Marijuana Eradication. These funds are used in locating and eradicating illicit cannabis plants and in the investigation and prosecution of cases before the courts of the United States and the courts of the state of Minnesota involving controlled substances.

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PROGRAM: Criminal Apprehension (cont'd)

Homeland Security. This program provides funding used to enhance BCA's efforts to investigate and respond to terrorist incidents within the State of Minnesota. The purchase of this equipment will enhance the BCA investigative capabilities to conduct surveillance, investigate acts of terrorism, collect evidence, respond to terrorist incidents, and communicate with other federal, state and local units of government. This program provides BCA personnel with the training and equipment necessary to respond to and mitigate a Chemical, Biological, Radiological, Nuclear and Explosive (CBRNE) event or to aid in anti-terrorism actions in cooperation with the FBI, US Attorney's Office and other law enforcement agencies.

CriMNet - Congressional Earmark. These funds are to implement the statewide framework and blueprint to integrate criminal justice information.

Safe Neighborhood – Project Safe Trails. These funds are used to combat gang, drug and related violent crimes on Indian Reservations in northern Minnesota through coordinated, multi-jurisdictional and multi-agency investigations.

National Highway Traffic Safety Administration NHTSA 164 Repeat DWI Offender: Provide business analysis for an integrated, statewide DWI offender tracking system which will be a component of a statewide electronic charging service.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

PROGRAM: Fire Marshal

PROGRAM DESCRIPTION:
Homeland Security Preparedness Grant. This program provides assistance to purchase equipment for protecting and facilitating communication among emergency responders. This assistance will also strengthen terrorism response capabilities by providing funding for exercises, training, planning and organizational activities. The grants are awarded by the federal Department of Homeland Security through the MN Department of Public Safety's Homeland Security and Emergency Management (HSEM) Division.

Assistance to Firefighters Grant Program – Fire Prevention and Safety Grant. This program provides an awareness campaign and several educational plans to reduce fire deaths and injuries for vulnerable segments of the population. This program includes billboard campaigns, radio and television public service announcements, supporting materials for fire and safety agencies, development and dissemination of in-school curriculum, dissemination of firesetter intervention materials and supplies, and training for fire safety professionals. The grants are awarded by the Federal Department of Homeland Security, Office of Domestic Preparedness Assistance to Firefighters Grant Program, Fire Prevention and Safety Grants directly to the Minnesota State Fire Marshal Division.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

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PROGRAM: State Patrol

PROGRAM DESCRIPTION:
Motor Carrier Safety Assistance Program (MCSAP). This is an assistance program for state commercial vehicle enforcement activities, including roadside driver and vehicle inspections, traffic enforcement, motor carrier review audits, public safety data management, and training. The Federal Motor Carrier Safety Administration (FMCSA) may have high priority projects to target, and it allows States to compete for special supplemental research and development projects. Individual grants are requested and approved throughout the year. New Entrant Safety Assurance Program (NESAP) grant establishes requirements to improve the safety performance of new US and Canadian motor carriers. Border Grants ensure that commercial motor vehicles operating within the international border region perform in a safe manner and do not transport contraband materials. Commercial Vehicle Analysis Reporting System (CVARS) ensure that commercial motor vehicle crash data is accurate and is moved from the state to the federal office in a timely manner.

National Highway Traffic Safety Administration (NHTSA) grants. These are grants issued through the traffic safety program. It provides funding for various traffic safety programs such as Safe and Sober, Operation NightCAP, Drug Recognition Experts and target speed enforcement. The State Patrol also administers grants to local agencies under operation NightCAP and e-Heat (speed) to enforce traffic safety laws.

Surface Transportation Act - Red-dyed fuel grant. This is a grant issued through the Minnesota Department of Transportation from the Surface Transportation Act funding to facilitate the inspection of fuel used in motor vehicles for on-highway use to ensure proper fuel taxes have been applied.

Federal Transit Authority. This grant provides funding to obtain consultants services to perform a review and analysis of the safety and security of Minnesota's Light Rail Transit (LRT) operations and procedures.

Homeland Security / Federal Emergency Management Administration grants. This grant is an assistance program to the state for expenses related to improving the state's ability to prevent and respond to acts of terrorism. Grants are available for purchase of equipment and/or technology. Individual grants are requested and approved throughout the year.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
The MCSAP has been authorized from 2005 through 2009 by (Safe, Accountable, Flexible, Efficient Transportation Safety Equity Act: A Legacy for Users (SAFETY LU). Each year the FMCSA requests Congress to allocate the funds that were authorized. Requests are usually approved for an amount lower than requested. Congress has also earmarked certain funds dedicated to certain activities within truck and bus safety. Special projects and dedicated funds have been combined in the basic grant allocations. MCSAP funds have been authorized to increase 10% by 2009.

FUNDS AT RISK:
The status of the MCSAP program for FFY 2007 and beyond is not known for certain pending action by the Congress.

PROGRAM: Driver and Vehicle Services (DVS)

PROGRAM DESCRIPTION:
Improved Minnesota Driver's License Information System (IMDLIS) Project Description. The purpose of the grant is to redesign the Minnesota Driver License Information System for enhanced access, accuracy and utility of Driver Services information, thereby improving problem driver management and traffic safety, customer service, and Driver Services operational efficiencies.
Specific project objectives include:

1. Focusing on a "paperless" e-Government systems approach.

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2. Ensure 24/7 access to information by law enforcement and court systems when needed, to improve public safety operations and customer service.
3. Automate problem driver case management to enable removal of problem drivers from Minnesota roads by authorities and improve public safety.
4. Provide interaction between DVS databases and those used by court, law enforcement, and other agencies to ensure that all of the information appropriate to ensuring public safety can be available through a single interface.
5. Improve license issuance process to limit opportunity for applicants to obtain fraudulent driver licenses and to improve customer service. Improve reporting and records management to facilitate law enforcement and court systems access, customer service, responsiveness to changing conditions, and to support decision analysis. Encourage data entry at the source of data to improve availability and accuracy of information.
6 Automate Driver Services workflow wherever possible to improve operational efficiency.

Commercial Drivers License (CDL). The Minnesota Department of Public Safety's Driver Services office is responsible for administering the CDL (Commercial Driver's License) Grant. The major goal is improving safety on highways by working to improve the licensing, monitoring, and data collection related to the CDL system and correct identified deficiencies so that we are consistent with national CDL priorities. The grant money allows for the purchase of hardware, software, electronic data links with web sites, and staff training, as well as programming. The key to the success of the grant is the collaboration of state agencies (DVS, State Patrol and Minnesota Department of Transportation (MNDOT) as well as business partners including the MN Court System, MN County Attorney Association, and a representative from the state's driver license agent association.

Performance and Registration Information Systems Management (PRISM). The purpose of the grant is the implementation of the PRISM program in the State of Minnesota. PRISM is a federal program measuring the safety fitness of motor carriers and to link this information to the motor vehicles registration and licensing system in the state.

The information is provided and made available to law enforcement agents when conducting motor carrier enforcement and allows enforcement to be more proactive targeting carriers and vehicles that have safety issues. Those carriers and vehicles having continued poor safety fitness ratings can be placed out of service by the Federal government. This action by the Federal government results in state action to remove registration and licensing from the carrier and prohibits the carrier from obtaining new registration. Further, the information is linked to a national system so any state can view data and record status on motor carriers and their vehicles registered in Minnesota.

Overall, this program strives to improve 1. accountability of the carrier and the vehicles they are responsible for by linking the carrier to the vehicle by use of the U.S. Department of Transportation (USDOT) number; 2. rating carrier safety fitness in a performance based program; 3. productivity of staff engaged in the enforcement of motor carrier safety by targeting efforts on carries with a history of safety violations; 4. data quality that States share with each other, carriers, law enforcement, and other business partners by linking safety data to carrier and vehicle data; 5. Motor Carrier safety by providing carriers the opportunity to improve their operations through identification and incentives to improve.

Social Security Number Verification grant objective is to reduce, detect and prevent license fraud and improve traffic safety. Verifications will be performed online that will allow for real-time verifications at the applicants first point of service. If the process is timed out or connectivity is down the application will be accepted and the verification will be done via a weekly batch report.

Project expenditure is expected to extend into SFY 2008. Total grant amount awarded was $600,500 with a federal share of $480,400 and state share of $120,100. Eighty percent will be spent in SFY 2007 and twenty percent in SFY 2008.

Facial Characteristic Recognition (FCR) grant objective is to reduce, detect and prevent license fraud and improve traffic safety. Implementing the FCR system will assist in identifying current database fraud and prevent future applicants from obtaining false identification documents. This action will be performed during the audit

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PROGRAM: Driver and Vehicle Services (DVS) (cont'd)

phase of the application process. The facial recognition verification method will use the existing photo image database. When fraud is identified, the driver's status will be cancelled. IMDLIS, Problem Driver Pointer System (PDPS) and Commercial Drivers License Information System (CDLIS) will stop future activity for that assumed name. Project expenditure is expected to extend into SFY 2008. Total grant amount awarded was $800,000. The federal share is 100%. Eighty percent will be spent in SFY 2007 and twenty percent for SFY 2008.

The Accident Records System Upgrade grant will allow the production of a web-based electronic accident report application that will be used by law enforcement agencies and other local units of government who use this type of information.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

PROGRAM: Alcohol & Gambling Enforcement

PROGRAM DESCRIPTION:
Youth and Alcohol Prevention. This program provides assistance to local law enforcement to conduct compliance checks of liquor retailers, investigate and charge adult providers of alcohol to minors, and conduct surveillance of under age drinking at events.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

PROGRAM: Traffic Safety

PROGRAM DESCRIPTION:
The vast majority of programs conducted by the Office of Traffic Safety are designed to reduce the number and severity of traffic crashes that occur in Minnesota by changing driver behavior.

National Highway Traffic Safety Administration NHTSA 402 Traditional: Plan, coordinate, implement, encourage, monitor, and evaluate traffic safety programs designed to change driver behavior; provide grant funds to governmental agencies to they can develop related programs. Also includes: **NHTSA 402 (2003B Child Passenger Safety):** Support specific innovative programs related to child seats and booster seats; and **NHTSA 402 (157 Innovative):** Support specific activities related to enforcement of the seat belt law during the month of May.

NHTSA 164AL and 164PM Repeat DWI Offender: Provide grants to state agencies and local governments to improve operations related to DWI or to improved hazardous road locations.

NHTSA 157 Seat Belt Performance Incentive: Funds may be used for any program eligible for 402 Traditional activities.

NHTSA 410 Impaired Driving: Support state and local activities related to reducing the incidence of impaired driving.

NHTSA 411 Data: Support state and local activities related to improving crash data systems.

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PROGRAM: Traffic Safety (cont'd)

NHTSA CODES: Link Minnesota DPS, MNDOT, and Minnesota Department of Health databases to hospital databases to provide data for more complete analysis of traffic crash causes and results.

Fatal Accident Reporting System (FARS): Collect, analyze, code, and contribute information on Minnesota's fatal traffic crashes to the national FARS database maintained by NHTSA.

NHTSA 2010 Motorcycle: Support state and local activities related to motorcycle safety.

NHTSA 408 Information Systems: Support state and local activities related to improving traffic crash data collection, analysis, and reporting systems.

Department of Justice, (DOJ), Office of Juvenile Justice & Delinquency Prevention (OJJDP): Support state and local activities related to limiting minors' access to alcohol and upholding underage drinking laws.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
NHTSA programs are currently provided to states under the guidelines developed in SAFETY LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users). Those basic guidelines describe the hard and soft matching funds required for each program, set the minimum amount of program expenditures that must be for the benefit of local units of government, define what states must do to qualify for each program, and establish the amount of funds potentially available to states under the program. The current congressional authorization for SAFETY LU ends on October 30, 2009.

FUNDS AT RISK:
NHTSA 164AL and 164PM Repeat DWI Offender: Funds are available to DPS because they were transferred from DOT. This transfer will not continue if prescribed sanctions for repeat DWI offenders are enacted.

DOJ/OJJDP: Unlike the majority of NHTSA programs, this program is authorized on a year-to-year basis. Funding beyond FFY2006 is not promised or guaranteed.

All NHTSA Programs: The re-authorization completed in 2006 authorizes the programs for NHTSA to fund; however, the amount of funding is set annually by an appropriation of Congress. Therefore, future funding levels may change from year to year.

PROGRAM: Pipeline Safety

PROGRAM DESCRIPTION:
Pipeline Safety Operations. This program inspects intrastate and interstate pipelines and investigates pipeline failures, incidents and accidents.

Damage Prevention. This program is to increase enforcement and education about the Gopher State One Call Law.

Homeland Security Preparedness Grant. This program provides assistance to purchase equipment for protecting and facilitating communication among emergency responders. This assistance will also strengthen terrorism response capabilities by providing funding for exercises, training, planning and organizational activities. The grants are awarded by the federal Department of Homeland Security though the MN Department of Public Safety's Homeland Security and Emergency Management Division (HSEM).

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

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PROGRAM: Office of Justice Programs (OJP), Crime Victim Services (CVS)

PROGRAM DESCRIPTION:
OJP CVS is responsible for the administration of federal funds for victims of crime. This program distributes grants to local programs and offers technical assistance and training to grantees. Additionally, the crime victim reparations board provides direct financial assistance to victims of violent crime. Federal funds are critical to all of this program's activities. Most local victim services programs funded by OJP CVS receive a combination of state and federal funding, but a large portion of each program's grant comes from federal sources. Several projects are supported by federal funding entirely. In addition, federal dollars make up a large percentage of the funds distributed by the board.

Victims of Crime Act (VOCA), Victim's Compensation Grant is received annually from the U.S. Department of Justice. Funds are used to reimburse crime victims and their family members for financial losses incurred due to a crime involving personal injury or death. The VOCA compensation grant is a match of state spending, and the match level is 60%.

Victims of Crime Act (VOCA) grant is received annually from the U.S. Department of Justice, Office for Victims of Crime. This grant funding is distributed to victims services programs for direct services such as crisis intervention, counseling, transportation and advocacy. The award has decreased 7% over the last two years. VOCA requires a 20% match.

Violence Against Women Act (VAWA) grant is received annually from the U.S. Department of Justice, Office of Victims of Crime. These funds are for projects to improve law enforcement and prosecution strategies and victim services in cases involving violence against women. VAWA requires a 25% match.

Minnesota Department of Health grant has been awarded to OJP CVS over the past several years to support rape prevention programs and services for victims of sexual assault. The funding originates from the U.S. Department of Health and Human Services. The Minnesota Department of Health is reevaluating the use of this funding beyond this current year.

Family Violence Prevention Services Act (FVPSA) grant is received annually from the U.S. Department of Health and Human Services. Grant funds are for emergency shelter and related assistance for battered women and their children. The amount of the grant has remained at approximately the same level for several years. FVPSA requires a 20% match.

State Academy Grant. This three year grant supports the development of a state crime victims training academy and requires a 25% match.

Red Lake Emergency Assistance. Reparations funding to address the needs of the victims of the Red Lake School shooting.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
The amount of federal funding varies from year to year. Both reparations and victims assistance programs rely on the Victims of Crime Act (VOCA) funds which are derived from the amount of fine money collected by the federal government and deposited into the dedicated federal crime victims fund. Although deposits have increased in recent years, Congress has put a cap on the amount that can be spent.

FUNDS AT RISK:
The State Academy Grant ends 8/31/08.

PROGRAM: Office of Justice Programs (OJP), Law Enforcement & Community Grants

PROGRAM DESCRIPTION

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Edward Byrne Justice Assistance Grant Program (JAG), Bureau of Justice Assistance (BJA). These funds may be used to support activities to prevent and control crime and improve the functioning of the criminal justice system. This program has been reduced by 64% since FFY 2004. A 25% match was required until the FFY 2005 award.

Project Safe Neighborhood (PSN). These funds are administered by BJA is a comprehensive, strategic approach to reducing gang and gun violence.

Residential Substance Abuse Treatment for State Prisoners (RSAT). These funds are provided for developing and implementing residential substance abuse treatment programs in correctional facilities. This program was eliminated in FFY 2004 and restored in FFY 2005. The FFY 2006 award is $88,835 which is a reduction from FFY 2005. RSAT requires a 25% match.

Statistical Analysis Center. This $50,000 annual award is designed to maintain and enhance the state's capacity to address criminal justice issues through collection and analysis of data.

Executive Office of Weed and Seed (EOWS). The purpose of this program is to assist neighborhoods in "weeding out crime" and "seeding" community livability and vitality.

Paul Coverdell Forensics Grant. The purpose of this grant program is to improve forensics laboratory and medical examiner services.

Juvenile Justice Title II. This is an annual formula award to assist states to reach goals established in a Three-Year Plan, to comply with the four core requirements of the federal Juvenile Justice and Delinquency Prevention Act, and to fund a State Advisory Group that advises the Governor on juvenile justice issues. A dollar for dollar match is required for the administrative portion of this award.

Juvenile Accountability Block Grant (JABG). This is an annual formula award to help states establish programs that promote greater juvenile justice system accountability. Seventy-five percent of this funding must be distributed to local units of government in a formula that weighs crime data and juvenile justice expenditures. Minnesota's JABG funds have been reduced by 73% since FFY 2004. JABG requires a 10% match.

Juvenile Justice Title V. The purpose of this program is to fund collaborative, community-based delinquency prevention efforts. The FFY 2006 award is $56,250 which is a decrease of 77% since the FFY 2004 award.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

FUNDS AT RISK:
Most federal grant programs have been significantly reduced since FFY 2004 and all are at risk. The JAG and RSAT programs have the highest risk of elimination.

PROGRAM: 911 Emergency Services/ Allied Radio Matrix for Emergency Response (ARMER)

PROGRAM DESCRIPTION
Homeland Security. Provide for update of the statewide Public Safety Radio Plan and for Minnesota's participation in the National Governor's Association (NGA) Center for Best Practices for Public Safety Wireless Communications Interoperability Policy Academy.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

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Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
Financial Services	18	SO	18	6	6	6
Information and Public Education – National Highway Traffic Safety Administration (NHTSA)	0	SO	393	276	254	265
Paid Media	0	SO	1,470	481	481	481
Homeland Security Public Information	0	SO	60	55	61	66
01 Administration & Related	**18**		**1,941**	**818**	**802**	**818**
Comprehensive Environmental Response Compensation and Liability Act (CERCLA)	0	GPS	0	3	3	3
Disaster Assistance Grants & Individuals and Households Program (IHP)	1,157	SO/GPS/GI/ GCBO	14,578	24,130	181	187
Emergency Management Performance (EMPG)	859	SO/GPS	1,019	3,187	3,154	3,154
Hazardous Materials Emergency Preparedness (HMEP)	0	SO/GPS	275	94	262	262
Hazard Mitigation Grants (HMGP)	12	SO/GPS	2,911	10,206	99	106
National Oceanic and Atmospheric Administration (NOAA) Weather Radio	0	SO	79	47	56	56
Homeland Security Grants	0	SO/GPS	43,794	39,352	15,752	15,611
02 Emergency Management	**2,028**		**62,656**	**77,019**	**19,507**	**19,379**
Forensic Laboratory – DNA Programs	0	SO	794	712	234	0

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Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
National Forensic Science Improvement Act (NFSIA)	0	SO	139	135	16	0
Edward Byrne Justice Assistance CCH Improvement	391	SO/GPS	1,902	320	0	0
Edward Byrne Justice Assistance CIBRS	0	SO	245	72	0	0
Local Law Enforcement Block Grants (LLEBG)	45	SO	463	11	0	0
National Criminal History Improvement Program (NCHIP)	124	SO/GPS	1,521	213	0	0
Community Oriented Policing Services (COPS)	0	SO	362	164	169	0
Marijuana Eradication	0	SO	77	77	77	77
Homeland Security	0	SO	557	92	0	0
CriMNet	0	SO	16	615	665	144
Safe Neighborhood	0	SO	123	124	47	0
National Highway Traffic Safety Administration (NHTSA) DWI Tracking	0	S0	0	150	0	0
03 Criminal Apprehension	**560**		**6,199**	**2,685**	**1,208**	**221**
Homeland Security Preparedness	0	SO	43	6	6	6
Public Fire Awareness	0	SO	0	74	0	0
04 Fire Marshal	**0**		**43**	**80**	**6**	**6**
Motor Carrier Assistance Program (MCSAP)	5,998	SO/GPS	5,342	6,693	5,767	5,767
National Highway Traffic Safety Administration (NHTSA)	0	SO/GPS	3,120	4,074	4,000	4,000

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Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
NHTSA (402–164) Alcohol -50 Troopers	312	SO	3,923	0	0	0
Surface Transportation Act –Red-dyed fuel grant	0	SO	111	110	110	110
Police Corps (OJP)	0	SO	488	0	0	0
Office of Justice Programs (OJP)	0	SO	577	0	0	0
Federal Transit Authority	0	SO	60	60	60	60
Homeland Security	0	SO	266	280	280	280
Federal Emergency Management (FEMA)	0	SO	23	0	0	0
05 State Patrol	**6,310**		**13,910**	**11,217**	**10,217**	**10,217**
Improved MN Driver's License Information System (IMDLIS)	0	SO	3	0	0	0
Commercial Drivers License (CDL)	0	SO	239	866	147	0
Performance and Registration Information System (PRISM)	0	SO	22	0	0	0
Social Security Number Verification (SSNV)	0	SO	1	383	96	0
Facial Characteristic Recognition (FCR)	0	SO	0	640	160	0
Accident Records System Upgrade	0	SO	0	140	0	0
07 Driver & Vehicle Services	**0**		**265**	**2,029**	**403**	**0**
Youth & Alcohol	0	SO/GPS	192	225	192	192
10 Alcohol & Gambling Enforcement	**0**		**192**	**225**	**192**	**192**

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Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
NHTSA 402 Traditional	287	SO/GPS	7,614	13,538	9,038	9,038
NHTSA 164AL & 164PM Repeat DWI Offender	0	SO/GPS	7,426	9,710	4,710	4,710
NHTSA 157 Seat Belt Performance Incentive	0	SO/GPS	218	50	50	50
NHTSA 410 Impaired Driving	0	SO/GPS	1,028	2,405	2,205	2,205
NHTSA 411 Data	0	SO/GPS	20	0	0	0
NHTSA CODES	0	SO/GPS	74	66	66	66
Fatal Accident Reporting System (FARS)	0	SO	74	82	82	82
NHTSA 2010 Motorcycle	0	SO	0	121	121	121
NHTSA 408 Information Systems	0	GPS	0	789	789	789
DOJ-OJJDP Under-Age Drinking	0	SO/GPS	377	355	355	355
11 Traffic Safety	**287**		**16,831**	**27,116**	**17,416**	**17,416**
Pipeline Safety Operations	918	SO	895	873	873	873
Damage Prevention	0	SO	50	26	50	50
Homeland Security Preparedness	0	SO	37	0	0	0
20 Pipeline Safety	**918**		**982**	**899**	**923**	**923**
Victims Compensation (VOCA)	1,462	GI	1,066	927	1,050	1,050
Victims Of Crime Assistance (VOCA)	4,356	SO/GPS/ GCBO	6,129	12,809	6,814	6,814
Violence Against Women Act (VAWA)	19,143	SO/GPS/ GCBO	1,979	576	2,049	2,049

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Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
MN Department of Health	0	GCBO	127	117	124	124
Family Violence Prevention Services Act (FVPSA)	0	SO/GPS/ GCBO	1,609	1,636	1,550	1,550
Victim Assistance Academy	28	SO/GCBO	28	95	93	93
Edward Byrne Memorial Anti-Drug Grants, Bureau of Justice Assistance (BJA)	1,576	SO/GPS/ GCBO	11,912	7,355	3,222	3,182
Project Safe Neighborhoods (BJA)	0	SO/GCBO	638	1,443	1,220	1,220
Residential Substance Abuse Treatment (RSAT)	4	SO/GPS	128	313	89	89
Statistical Analysis Center	0	SO	54	22	50	50
Executive Office of Weed & Seed (EOWS)	0	SO/GPS	1,028	791	950	950
Paul Coverdell Forensics	0	GPS	191	71	165	165
Juvenile Justice Title II	103	SO/GCBO	1,193	1,130	932	932
Juvenile Accountability Block Grant (JABG)	7	SO/GPS	889	123	770	770
Juvenile Justice Title V	0	GPS	174	252	56	56
Red Lake Emergency Assistance	0	SO	188	130	130	130
Local Law Enforcement Block Grants (LLEBG)	0	SO/GPS	5	0	0	0
Safe Haven (VAWA Supplemental)	0	SO/GCBO	146	46	0	0
WEGO Grants Management System	0	SO	2	0	0	0
Office of Justice Programs	**26,679**		**27,486**	**27,836**	**19,264**	**19,224**

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Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
Homeland Security	0	SO	245	205	0	0
911 Emergency Services/ Allied Radio Matrix for Emergency Response (ARMER)	**0**		**245**	**205**	**0**	**0**
Agency Total	**36,800**		**130,750**	**150,129**	**69,938**	**68,396**

Key:
Primary Purpose
SO = State Operations
GPS = Grants to Political Subdivision
GI = Grants to Individuals
GCBO = Grants to Community Based Organizations

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➲ Designates that this item is a change item

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Office of the Commissioner

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Alcohol and Gambling Enforcement

ARMER/911 Program

Bureau of Criminal Apprehension

Driver and Vehicle Services

Homeland Security and Emergency Management

Minnesota State Patrol

Office of Communications

Office of Justice Programs

Office of Traffic Safety

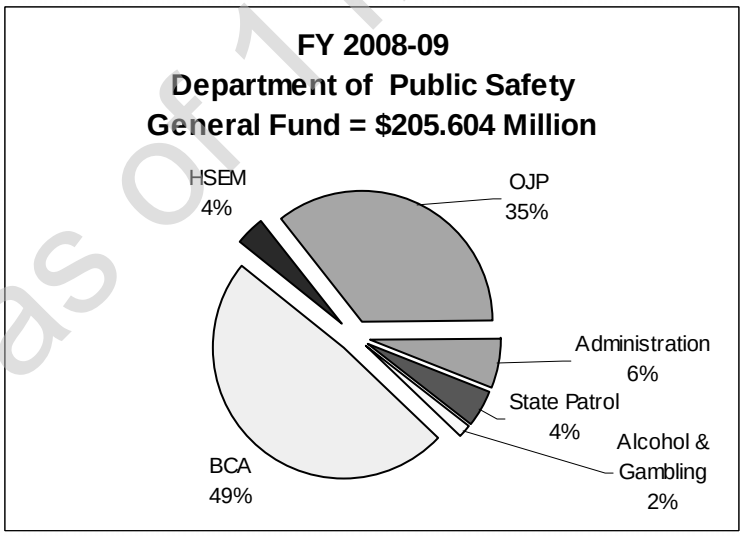
State Fire Marshal and Pipeline Safety

January 22, 2007

To the 2007 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Public Safety's budget recommendation for the FY 2008-09 biennium. Regardless of where you live in Minnesota, our dedicated public servants work to keep you safe through prevention, preparedness, response, recovery, and education and enforcement efforts. This budget proposal enhances current efforts and further strengthens Minnesota's public safety infrastructure.

The Governor's budget recommendation for the Department of Public Safety for the 2008-09 biennium is $605.079 million in direct appropriations. This budget consists of $205.604 million from the state's General fund and $399.475 million from all other funds and is a 22.3% increase from FY 2006-07 spending. The funding for DPS is comprised of 28% in Trunk Highway Funds, 34% State General Funds, 35% Special Revenue Funds, and 3% from the Highway User Tax Distribution Fund.



In addition to funding recommendations for the important day-to-day programs offered throughout the agency, the Governor proposes some significant enhancements to further improve public safety in Minnesota and addresses customer needs. New funding investments are recommended for:

- The completion and statewide implementation of the ARMER system that allows emergency responders at a major disaster or public safety event to communicate with each other on the same radio frequency;
- Forty additional State Troopers to patrol and respond to incidents on Minnesota roadways;
- Twenty additional forensic scientists at the Bureau of Criminal Apprehension to reduce case processing time;
- Moving the nation-leading CriMNet project toward completion;
- Assisting crime victims and their families;
- The Gang and Drug task forces;
- Enhancing the data security and disaster recovery efforts of our agency; and
- Safe Schools Center to develop and promote best practices to ensure safe school environments.

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I am proud of the excellent work that is conducted day in and day out by our dedicated employees. I believe that this budget allows us to continue our important work and address the significant public safety concerns facing Minnesota. I welcome the opportunity to discuss these proposals with you in the coming months.

Sincerely,

Michael Campion
Commissioner

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Agency Purpose

The mission of the Department of Public Safety (DPS) is simple – to protect Minnesota with a commitment to excellence by promoting safer communities through:

- Prevention
- Preparedness
- Response
- Recovery
- Education
- Enforcement

We do this by focusing on:

- Saving Lives
- Providing Efficient and Effective Services
- Maintaining Public Trust
- Developing Strong Partnerships

At A Glance

The Driver and Vehicle Services Division processes over 5 Million vehicle transactions each year.

The State Patrol made 7,036 driving While Impaired (DWI) arrests in 2005; which is an increase of 168% since 1975.

The Bureau of Criminal Apprehension examined 15,924 cases in FY 2005; this was an increase of 27% since FY 2004.

More than 375 locally-based crime victim programs received funding, and provided services to approximately 130,000 individuals in FY 2005.

From 1975 to 2005, the number of traffic-related deaths fell 28% and severe injuries fell over 86%.

Three hundred thirty nine fire investigations were conducted by the State Fire Marshal's Office in 2005; 126 of these were determined to be arson.

Core Functions

The DPS provides a variety of core services statewide to support the goal of keeping Minnesotans safe. These core services include:

- enforcing liquor and gambling laws;
- conducting criminal investigations and forensic science analysis;
- administering driver and vehicle services;
- coordinating emergency planning and response for disasters and acts of terrorism;
- promoting fire safety;
- ensuring safety of natural gas and hazardous liquid pipeline systems;
- enforcing traffic laws on Minnesota highways;
- promoting safety on roadways and reducing traffic injuries and fatalities;
- providing advocacy, services, and financial assistance to crime victims;
- administering justice assistance and crime prevention grant programs; and
- administering the Statewide 9-1-1 program, and distributing funds for the statewide trunked radio system.

DPS works to ensure that these core functions incorporate innovation, stewardship, collaboration, and communication.

The DPS took on a new role after September 11th 2001, as Minnesota's Office of Homeland Security. The department oversees the coordination of preparedness and response plans and resources, and serves as a link from the federal government to local public safety agencies. Under Governor Tim Pawlenty, Commissioner Michael Campion serves as the Director of Homeland Security.

Operations

Service to the citizens of Minnesota is the DPS's number one priority. However, the department's efforts also impact federal, state, and local criminal justice agencies, fire service agencies, emergency management, licensing and inspection agencies, other government agencies, and private and non-profit organizations. Nine separate divisions within the department provide direct services to the public.

Alcohol and Gambling Enforcement enforces liquor licensing and gambling laws through compliance checks, assistance to local agencies with criminal investigations, and efforts to combat underage drinking.

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Bureau of Criminal Apprehension provides complete investigative assistance to local agencies, forensic laboratory services, criminal history information, and training to peace officers.

Driver and Vehicle Services provides vehicle registration, driver's license and driver evaluation services. Driving records and accident reports are also maintained.

Homeland Security and Emergency Management coordinates disaster preparedness, response, recovery, and mitigation for homeland security, natural, and other types of major emergencies and disasters.

State Fire Marshal and Pipeline Safety protects human lives and property by promoting fire prevention and pipeline safety through inspections, investigations, and public education.

State Patrol enforces traffic laws on Minnesota's highways, responds to crashes, inspects commercial vehicles, and assists local law enforcement.

Traffic Safety administers programs and grants that reduce the number and severity of traffic crashes in Minnesota including programs such as alcohol awareness, safety belt promotion, and motorcycle training.

Office of Justice Programs was created by Governor Tim Pawlenty in May 2003, and brings together programs formerly operated through Minnesota Planning and the Office of Crime Victim Ombudsman, and the departments of Public Safety, Education and Economic Security. The office provides leadership and resources to reduce crime, improve the functioning of the criminal justice system, and assist crime victims. This office also provides grant administration, criminal justice information and research, and assistance and advocacy to crime victims.

911 Emergency Services/ARMER oversees the 9-1-1 System standards; provides technical assistance to cities and counties to implement and improve 9-1-1; manages and distributes funds to provide for 9-1-1 service, and distributes funds for the regional public safety trunked radio system.

DPS also has five internal support divisions that provide services relating to communication, fiscal administration, human resource management, internal affairs, and technical support.

Contact

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For information on how this agency measures whether it is meeting its statewide goals, please refer to http://www.departmentresults.state.mn.us

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	81,433	85,222	85,222	85,222	170,444
Recommended	**81,433**	**86,329**	**89,625**	**94,062**	**183,687**
Change		1,107	4,403	8,840	13,243
% Biennial Change from 2006-07					9.5%
State Government Spec Revenue					
Current Appropriation	44,375	44,642	41,578	41,578	83,156
Recommended	**44,375**	**44,642**	**55,688**	**50,392**	**106,080**
Change		0	14,110	8,814	22,924
% Biennial Change from 2006-07					19.2%
Misc Special Revenue					
Current Appropriation	590	589	3,421	7,921	11,342
Recommended	**590**	**589**	**6,791**	**9,857**	**16,648**
Change		0	3,370	1,936	5,306
% Biennial Change from 2006-07					1312%
Trunk Highway					
Current Appropriation	361	361	361	361	722
Recommended	**361**	**361**	**367**	**374**	**741**
Change		0	6	13	19
% Biennial Change from 2006-07					2.6%
Environmental					
Current Appropriation	49	49	49	49	98
Recommended	**49**	**49**	**69**	**71**	**140**
Change		0	20	22	42
% Biennial Change from 2006-07					42.9%
Expenditures by Fund					
Direct Appropriations					
General	76,929	96,072	89,625	94,062	183,687
State Government Spec Revenue	31,909	34,244	55,688	50,392	106,080
Misc Special Revenue	545	631	6,791	9,857	16,648
Trunk Highway	345	377	367	374	741
Environmental	49	49	69	71	140
Statutory Appropriations					
General	1,594	2,011	1,929	1,995	3,924
State Government Spec Revenue	96	96	0	0	0
Misc Special Revenue	11,823	14,354	11,050	11,022	22,072
Federal	94,093	113,813	40,274	39,022	79,296
Gift	60	20	4	4	8
Total	**217,443**	**261,667**	**205,797**	**206,799**	**412,596**
Expenditures by Category					
Total Compensation	34,790	44,262	43,072	45,145	88,217
Other Operating Expenses	52,227	62,830	65,622	55,738	121,360
Capital Outlay & Real Property	2	0	0	0	0
Local Assistance	130,274	154,575	85,751	88,860	174,611
Other Financial Transactions	150	0	0	0	0
Transfers	0	0	11,352	17,056	28,408
Total	**217,443**	**261,667**	**205,797**	**206,799**	**412,596**

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Program					
Homeland Security Emerg. Mgmt	68,046	86,258	26,122	25,959	52,081
Criminal Apprehension	47,962	57,562	57,160	59,278	116,438
Fire Marshal	4,079	4,789	7,913	10,960	18,873
Alcohol & Gambling Enforcement	2,510	3,188	2,760	2,807	5,567
Office Of Justice Programs	62,693	75,434	56,161	57,410	113,571
911 Emergency Services/Armer	32,153	34,436	55,681	50,385	106,066
Total	**217,443**	**261,667**	**205,797**	**206,799**	**412,596**
Full-Time Equivalents (FTE)	**485.6**	**529.8**	**553.3**	**562.2**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**85,222**	**85,222**	**85,222**	**170,444**
Technical Adjustments				
Fund Changes/consolidation		(2,832)	(2,832)	(5,664)
One-time Appropriations		(4,203)	(4,233)	(8,436)
Subtotal - Forecast Base	**85,222**	**78,187**	**78,157**	**156,344**
Change Items				
Disaster Assistance State Match	1,107	250	250	500
Pandemic Flu Preparations	0	1,100	1,100	2,200
CriMNet Justice Information Integration	0	6,955	8,584	15,539
Forensic Scientists	0	1,018	1,871	2,889
Crime Victim Reparations	0	250	250	500
Gang and Drug Task Force	0	600	1,900	2,500
School Safety Centers	0	200	200	400
Victim Notification System	0	455	455	910
Compensation Adjustments	0	610	1,295	1,905
Total Governor's Recommendations	**86,329**	**89,625**	**94,062**	**183,687**
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**44,642**	**41,578**	**41,578**	**83,156**
Subtotal - Forecast Base	**44,642**	**41,578**	**41,578**	**83,156**
Change Items				
ARMER System Implement & Upgrades	0	14,110	8,814	22,924
Total Governor's Recommendations	**44,642**	**55,688**	**50,392**	**106,080**
Fund: MISC SPECIAL REVENUE				
FY 2007 Appropriations	**589**	**3,421**	**7,921**	**11,342**
Subtotal - Forecast Base	**589**	**3,421**	**7,921**	**11,342**
Change Items				
Fire Safety Account	0	3,330	1,800	5,130
Compensation Adjustments	0	40	136	176
Total Governor's Recommendations	**589**	**6,791**	**9,857**	**16,648**
Fund: TRUNK HIGHWAY				
FY 2007 Appropriations	**361**	**361**	**361**	**722**
Subtotal - Forecast Base	**361**	**361**	**361**	**722**
Change Items				
Compensation Adjustments	0	6	13	19
Total Governor's Recommendations	**361**	**367**	**374**	**741**
Fund: ENVIRONMENTAL				
FY 2007 Appropriations	**49**	**49**	**49**	**98**
Subtotal - Forecast Base	**49**	**49**	**49**	**98**
Change Items				
Compensation Adjustments	0	20	22	42
Total Governor's Recommendations	**49**	**69**	**71**	**140**

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
Planned Statutory Spending	**2,011**	**1,929**	**1,995**	**3,924**
Total Governor's Recommendations	**2,011**	**1,929**	**1,995**	**3,924**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	**96**	**0**	**0**	**0**
Total Governor's Recommendations	**96**	**0**	**0**	**0**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**14,354**	**11,050**	**11,022**	**22,072**
Total Governor's Recommendations	**14,354**	**11,050**	**11,022**	**22,072**
Fund: FEDERAL				
Planned Statutory Spending	**113,813**	**40,274**	**39,022**	**79,296**
Total Governor's Recommendations	**113,813**	**40,274**	**39,022**	**79,296**
Fund: GIFT				
Planned Statutory Spending	**20**	**4**	**4**	**8**
Total Governor's Recommendations	**20**	**4**	**4**	**8**

Revenue Change Items

Fund: STATE GOVERNMENT SPEC REVENUE				
Change Items				
ARMER System Implement & Upgrades	0	0	7,119	7,119

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Budget Activities

⇒ Community Right-To-Know Act
⇒ Emergency Management Performance Grants
⇒ Nuclear Plant Preparedness

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	2,829	2,545	2,545	2,545	5,090
Subtotal - Forecast Base	2,829	2,545	2,545	2,545	5,090
Governor's Recommendations					
Disaster Assistance State Match		1,107	250	250	500
Pandemic Flu Preparations		0	1,100	1,100	2,200
Compensation Adjustments		0	0	6	6
Total	**2,829**	**3,652**	**3,895**	**3,901**	**7,796**
Environmental					
Current Appropriation	49	49	49	49	98
Subtotal - Forecast Base	49	49	49	49	98
Governor's Recommendations					
Compensation Adjustments		0	20	22	42
Total	**49**	**49**	**69**	**71**	**140**
Expenditures by Fund					
Direct Appropriations					
General	3,213	6,969	3,895	3,901	7,796
Environmental	49	49	69	71	140
Statutory Appropriations					
Misc Special Revenue	2,114	2,204	2,651	2,608	5,259
Federal	62,670	77,036	19,507	19,379	38,886
Total	**68,046**	**86,258**	**26,122**	**25,959**	**52,081**
Expenditures by Category					
Total Compensation	3,693	4,854	4,921	4,890	9,811
Other Operating Expenses	2,828	7,530	4,661	2,464	7,125
Local Assistance	61,525	73,874	16,540	18,605	35,145
Total	**68,046**	**86,258**	**26,122**	**25,959**	**52,081**
Expenditures by Activity					
Emergency Mgmt Performance Grt	65,694	83,713	23,210	23,102	46,312
Nuclear Plant Preparedness	2,049	2,080	2,540	2,497	5,037
Community Right-To-Know	303	465	372	360	732
Total	**68,046**	**86,258**	**26,122**	**25,959**	**52,081**
Full-Time Equivalents (FTE)	**55.7**	**64.9**	**67.0**	**67.0**	

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Fiscal Impact ($000s)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
General Fund					
Expenditures	$1,107	250	250	250	250
Revenues		0	0	0	0
Other Fund					
Expenditures		0	0	0	0
Revenues		0	0	0	0
Net Fiscal Impact	$1,107	250	250	250	250

Recommendation

The Governor recommends that $250,000 be appropriated each year to add to the current $200,000 base budget appropriation for state match for federal disaster assistance. The additional appropriation is needed to better ensure that the state can meet its match obligations in a timely manner, and remain eligible for federal disaster assistance.

The Governor recommends that $1.107 million be appropriated for FY 2007 to serve as state match for federal disaster assistance recently received. The monies requested are needed to permit the state to match a portion of the federal assistance local governments have been granted in conjunction with presidential disaster declaration FEMA-1648-DR: the Red River Valley flooding that occurred in the spring of 2006.

Background

Minnesota has been included in 14 presidential disaster declarations in the past ten years. Following a declaration, the Federal Emergency Management Agency (FEMA) implements the Public Assistance (PA) Program, and sometimes the Individual Assistance (IA) Program, as well. The PA Program reimburses government entities (primarily) for a portion of their eligible disaster response, debris clearance, and infrastructure repair costs, and the IA Program provides assistance directly to individual disaster victims. Both programs are funded on a 75% federal/25% non-federal matching basis. The state must fund the full 25% non-federal share of state agency PA Program costs, and it normally assumes responsibility for 15% of the non-federal share of local government PA costs. The state must fund the full 25% non-federal share of IA costs.

The proposal constitutes the most cost-effective means of making certain that the state can meet its match obligations, and remain eligible for federal assistance: The additional $250,000 in state match will permit the state to meet immediate PA and IA match needs, without potentially tying up substantial General Fund monies that may not be required in a particular year. Additional disaster declaration and PA Program information may be accessed via HSEM's website: http://www.hsem.state.mn.us/

For the FY 2007 deficiency request of $1.107 million, the Federal Emergency Management Agency assumes responsibility for 75% of the eligible Public Assistance (PA) Program costs incurred by local governments. The PA Program reimburses government entities (primarily) for a portion of their disaster response, debris clearance, and public infrastructure (roads, bridges, culverts, public buildings, etc.) repair and replacement costs. The State of Minnesota's long-standing, unofficial policy is to cover 15% (normally) of the 25% non-federal share of local government PA Program costs, and the monies requested would be used to cover those costs for disaster declaration FEMA-1648-DR. The affected local government jurisdictions would be responsible for covering the remaining 10% of their eligible PA Program costs.

Relationship to Base Budget

As noted above, the current base budget appropriation for state match is $200,000/year.

Key Measures

⇒ The State of Minnesota has mechanisms to provide sufficient match monies available to meet its obligations, and to ensure its continued eligibility for the Individual Assistance Program.

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- ⇒ All local government jurisdictions eligible to receive PA Program state match monies will be awarded those monies as soon as the jurisdictions have submitted the necessary documentation.
- ⇒ All FEMA-1648-DR Public Assistance Program applicants will be awarded, via grant contract, all of the state match monies that they are eligible to receive.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,100	$1,100	$1,100	$1,100
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,100	$1,100	$1,100	$1,100

Recommendation

The Governor recommends $1.1 million per year be appropriated for the coordination of state agency infectious disease/pandemic preparedness activities, and for the provision of assistance to local emergency managers and others to increase readiness for a pandemic event. Legislation enacted during the 2006 Legislative Session appropriated funds for the Department of Health (MDH) for preparation, planning and response to an influenza outbreak; in turn, MDH provided funding to the Division of Homeland Security and Emergency Management (HSEM) to support the division's pandemic preparedness efforts. The requested change is needed because the previous funding was for FY 2007 only.

Background

The HSEM division has been designated as the lead agency for coordinating overall state emergency planning and preparedness for a pandemic event. The division is also charged with assisting local emergency management directors in their pandemic preparedness efforts. HSEM's activities In support of pandemic preparedness include:

- Providing grants to counties, cities of the first class, tribal governments and state agencies to facilitate updating of emergency plans, development of service continuation plans, and the conduct of exercises. Of the funds requested, $750,000 would be used for this purpose;
- Coordinating the updating/revision of the pandemic influenza supplement to the Minnesota Emergency Operations Plan;
- Coordinating the preparation and conduct of state agency exercises that focus on pandemic response issues;
- Developing and making available pandemic planning guidance for local emergency managers/others (see http://www.readyminnesota.org/);
- Providing training and support for local, regional, and statewide emergency exercises;
- Providing technical assistance, training and support to local emergency managers, and
- Providing funding to facilitate expanded business continuity planning for state services. Lastly, in carrying out its activities, HSEM works in close partnership with MDH, thus ensuring a coordinated and mutually supportive statewide pandemic preparedness effort.

The events since 9-11-2001 have made it clear the U.S. is and will likely remain, subject to both "natural" biological threats such as Avian/Human Pandemic Influenza, and the deliberate release of dangerous biological agents, such as Anthrax. Furthermore, many scientists believe it is only a matter of time before the next pandemic arrives, the precise timing and severity of which cannot be predicted. Consequently, HSEM needs to be able to sustain its current capability to coordinate state agency pandemic preparedness efforts, and to support local government, tribal government, and private sector preparedness activities. This proposal would provide the funding needed to continue these preparedness efforts and activities.

Relationship to Base Budget

HSEM's base budget does not include any funding for pandemic preparedness activities.

The Change Item funds would be expended as follows:
$750,000 – for grants to local governments, tribal governments, and state agencies.
$50,000 – for the support and conduct of exercises.

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$300,000 – for the maintenance of three FTEs, travel, printing, rent, etc.

Key Measures

⇒ Every county that receives a pandemic preparedness grant will have updated the pandemic response portion of its all-hazard emergency operations plan, *or* developed/updated a service continuation plan.

⇒ The Avian and Influenza Pandemic supplement to the Minnesota Emergency Operations Plan will have been updated, and incorporated in that document.

⇒ One or more state government exercises having an influenza pandemic-based scenario will have been conducted.

Statutory Change: Not Applicable

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Activity Description

The Emergency Planning and Community Right-to-Know Act (EPCRA) Activity exists for the purpose of implementing the provisions of the (federal) EPCRA in Minnesota. EPCRA was enacted in response to the deadly toxic chemical release in Bhopal, India, that resulted in many fatalities. The program is intended to help ensure that local communities have the information they need to respond effectively to a serious accident that occurs at a facility that uses or stores hazardous chemicals. Lastly, the EPCRA Program generates revenue from fees that are assessed on facilities that use, store, or release hazardous materials.

Activity at a Glance

- 5,900 facilities are included in the EPCRA program database.
- $1.2 million in fees were collected during the 2004-05 biennium.

Population Served

The entire population of Minnesota is potentially served by the EPCRA Program, because all Minnesotans depend on state and local government first responders (fire fighters, law enforcement, emergency medical services personnel, etc.) to have the hazardous chemical information they need to protect the public in the event of an accident. Further, the EPCRA Program enables the general public, the legislature, and regulatory and public health agencies to know where and what hazardous materials are being used in Minnesota facilities, the quantity of those materials, and whether the use of those materials is increasing or decreasing. Lastly, the Program permits local government first responders to obtain specific information about the hazardous chemicals that are onsite at each individual facility in their communities.

Services Provided

Principal EPCRA Program activity services include:

- collecting and maintaining, in a database, current information about hazardous materials that are used, stored, and released into the environment by facilities;
- using the Internet, annual reports, and other means to disseminate information to the public and to first responders about hazardous materials stored, used, and released into the environment;
- ensuring that local emergency managers are provided the information they need about the hazardous chemicals used and stored in the facilities in their communities; so that they can prepare and update their emergency operations plans and adequately protect the public;
- conducting annual training designed to improve facility compliance with state and federal hazardous materials reporting requirements; and
- collecting fees intended to cover the program's data management and administrative costs, and to offset the cost of maintaining the state's regional hazardous materials incident response team program.

Historical Perspective

"Community Right-to-Know" has always been a critical component of the EPCRA Program. Both federal and state law contain provisions that are intended to ensure that key information about the types of hazardous materials stored, used, and released by facilities is available to both the general public and government entities. In recent years, the Environmental Protection Agency has established an online system that permits local government first responder personnel to more easily obtain this information in a timely manner. EPCRA Program staff has promoted the use of this system, while, in light of the events of 9-11-2001, simultaneously taking reasonable precautions to limit access to hazardous materials storage information by those who may have criminal intent.

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Key Measures

Accuracy and completeness of the EPCRA Program database.

⇒ Each year the EPCRA Program database will be reviewed and revised to ensure that the information it contains is both accurate and complete. At the present time, approximately 5,900 facilities in Minnesota that store, use, and/or release specific quantities of certain hazardous materials are required annually to submit a report (or reports) to the EPCRA Program staff. The information contained in those reports is entered into the database. Each year, there are some facilities that no longer need to report, and some that are subject to the reporting requirements for the first time. The EPCRA Program database must be continually reviewed and updated every year in order to ensure that the information it contains is accurate and complete. Information in the database is used by local emergency managers and emergency response agencies to further their knowledge of the potential hazards in their community. EPCRA Program staff typically provides the information on an intermittent, as-requested basis, but also occasionally makes it available in conjunction with special training events or meetings.

⇒ FY 2005 – The database was comprehensively reviewed and updated; 100 facilities were added as active reporters.

Activity Funding

This Activity is funded with a combination of General Fund and Environmental Fund appropriations.

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PUBLIC SAFETY DEPT

Program: HOMELAND SECURITY EMERG. MGMT

Activity: COMMUNITY RIGHT-TO-KNOW

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	254	416	303	289	592
Environmental	49	49	69	71	140
Total	**303**	**465**	**372**	**360**	**732**
Expenditures by Category					
Total Compensation	236	324	264	252	516
Other Operating Expenses	67	141	108	108	216
Total	**303**	**465**	**372**	**360**	**732**
Full-Time Equivalents (FTE)	**3.5**	**3.3**	**3.8**	**3.8**	

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Activity Description

The Emergency Management Performance Grant (EMPG) activity exists to develop and maintain the state's emergency management system and structure. EMPG enables the state to prepare for, respond to, and recover from major emergencies/disasters, as well as reduce/eliminate potential damage from future disasters. The federal government makes EMPG monies available to states on a 50-50-match basis.

Population Served

The EMPG activity serves local government (counties, cities, and townships), other state agencies, Indian tribes, certain private, nonprofit entities, and non-government organizations.

Activity at a Glance

- 17 presidential declarations for Minnesota June 1996 – June 2006.
- 511 disaster declaration applicants (local governments, state agencies, and private, nonprofit entities) currently being assisted.
- 89 training classes, 23,852 student contact hours during 2004-05 biennium. 227 exercises supported/facilitated in 2004-05.
- $28 million disaster-related federal and state monies disbursed during 2004-05 biennium.
- 1,447 grants to government and non-government entities prepared during 2004-05 biennium.

Services Provided

Principal EMPG services include:

- coordinating state agency all-hazard disaster preparedness, response, and recovery efforts;
- assisting local government disaster preparedness, response, recovery and mitigation efforts by: supporting emergency planning, conducting training and exercises, providing guidance, coordinating the deployment of State Hazardous Materials Response Teams and other state response assets, and providing onsite technical assistance;
- providing financial assistance to local governments and state agencies, through multiple grant programs;
- increasing citizen preparedness by conducting annual severe weather/other awareness campaigns;
- coordinating the state's homeland security preparedness program with federal, state, and local governments and non-government organizations;
- coordinating Emergency Management Assistance Compact activities (i.e., interstate mutual aid) in Minnesota;
- coordinating the post-disaster damage assessment process, preparing requests for assistance, and administering disaster relief and hazard mitigation programs following presidential disaster declarations; and
- coordinating overall state preparedness efforts for influenza pandemic.

Historical Perspective

As indicated above, the federal government awards EMPG grant monies to states on a 50-50-match basis. The EMPG program has been in existence for over 40 years, and its purpose is to help states maintain at least minimal emergency management staff and capabilities. In recent years the state's annual award has generally remained constant, whereas the need for EMPG funding has increased. As a result, the division has had to eliminate certain staff positions and sometimes reduce the amount of federal EMPG funding passed through to local governments.

Key Measures

⇒ **Preparation time for federal disaster assistance requests.**

The division's goal is that all federal disaster assistance requests will be prepared and submitted to the Federal Emergency Management Agency (FEMA) within 30 days of the event. This performance measure serves as an indicator of the division's responsiveness and timeliness in requesting federal aid following a major emergency/disaster. The preparation of requests for federal disaster assistance is a complex process. The more time that elapses between the conclusion of the disaster event and the submission of the request, the less likely it is that the request will be approved. Furthermore, in time of disaster, it is imperative that assistance be provided to disaster victims - whether they be individual citizens, local governments, state agencies, private, nonprofit entities, or Indian tribes - as quickly as possible.

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Recent record of performance for submission of requests for federal disaster assistance:

Federal Fiscal Year	Presidential Declaration of a Major Disaster/Emergency	Original/Amended Requests Submitted Within 30 Days? Yes	No
2001	*Original* Major Disaster declaration (DR-1370) on 5/16/2001 for 31 counties; declaration amended seven times to add counties and/or make previously declared counties eligible for other disaster assistance programs.	8	0
2002	*Original* Major Disaster declaration (DR-1419) on 6/14/2002 for one county, declaration amended five times to add counties and/or make previously declared counties eligible for other disaster assistance programs.	6	0
2003	none		
2004	none		
2005	*Original* Major Disaster declaration (DR-1569) on 10/7/2004 for five counties, declaration amended twice to add counties and/or make previously declared counties eligible for other disaster assistance programs.	3	0
	Declaration of Emergency (FEMA-3242) on 9/13/2005 for all 87 counties in Minnesota, in response to Hurricane Katrina "self-evacuees".	1	0
2006	Major Disaster declaration (DR-1622) for nine counties.	1	0
	Major Disaster declaration (DR-1648) for nine counties.	1	0
Number/percent of original/amended requests submitted for federal assistance:		**20/100%**	**0/0%**

⇒ **Grant Preparation Time.**
For the 2004-05 biennium, the division administered multiple grant programs and prepared 1,447 grant contracts. The programs help local governments, state agencies and other entities prepare for, recover from, or reduce the severity of natural disasters, homeland security incidents, hazardous materials accidents, and other public safety threats. The contracts are the vehicle by which grant monies are passed through to applicants. The division's goal is to complete preparation of each contract within 30 days of the time it receives all required information. This performance measure is an indicator of the division's efficiency in preparing contracts. Applicants are prohibited from spending any funds related to their grant application until a fully-executed contract is in place. Hence, the timely preparation of contracts is very important.

Grant Program	Number of Contracts	Prepared Within 30 Days?* Yes	No
Emergency Management Performance Grant	175	X	
Hazardous Materials Emergency Preparedness	78	X	
Homeland Security Grant Program (HSGP)**	702	X	
(Multiple) disaster assistance-related programs	472	X	
Pre-Disaster Mitigation Program	4	X	
Radiological Emergency Preparedness	16	X	
TOTAL:	1,447	X	

*****Of date the division received all necessary information. ******HSGP consists of seven individual grant programs.

Activity Funding
This activity is funded by a mix of General Fund appropriations and federal funds.

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PUBLIC SAFETY DEPT
Program: HOMELAND SECURITY EMERG. MGMT
Activity: EMERGENCY MGMT PERFORMANCE GRT

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	2,959	6,553	3,592	3,612	7,204
Statutory Appropriations					
Misc Special Revenue	65	124	111	111	222
Federal	62,670	77,036	19,507	19,379	38,886
Total	**65,694**	**83,713**	**23,210**	**23,102**	**46,312**
Expenditures by Category					
Total Compensation	3,067	4,066	4,112	4,065	8,177
Other Operating Expenses	2,367	7,134	4,162	1,995	6,157
Local Assistance	60,260	72,513	14,936	17,042	31,978
Total	**65,694**	**83,713**	**23,210**	**23,102**	**46,312**
Full-Time Equivalents (FTE)	**46.6**	**55.6**	**55.8**	**55.8**	

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Nuclear plant preparedness exists to coordinate a variety of preparedness activities designed to ensure that state and local governments are prepared to respond effectively in the event of a nuclear power plant accident/incident, and to protect the health and safety of the public. This activity was established by the legislature when two nuclear power plants in Minnesota began operations, and thus the potential was created for an accident/incident that could affect the safety of citizens living adjacent to the plants. Special revenue from fees is collected from nuclear plant utilities to cover the costs associated with nuclear power plant preparedness.

Activity at a Glance

- 36 counties could potentially be impacted by a nuclear power plant accident/incident.
- Federal regulations require each nuclear power plant to complete one full-scale emergency exercise per year.
- 12 state agencies are involved in annual nuclear power plant-related emergency planning and exercises.

Population Served

Nuclear plant preparedness serves, first of all, the population within the "Emergency Planning Zone" (EPZ) for the Prairie Island and the Monticello nuclear plants. The EPZ encompasses the counties and cities located within a 10-mile radius of each plant. The EPZ for the Prairie Island plant includes Dakota County and Goodhue County, and the EPZ for the Monticello plant includes Sherburne County and Wright County. It is those persons who reside within an EPZ that could potentially be affected by a radioactive release from a nuclear plant as the result of an accident/incident. Secondly, nuclear plant preparedness serves the population in the 36 counties that are located within the Ingestion Pathway Zone (IPZ). The IPZ is that area in which the potential exists for contamination of foodstuffs should there be a radioactive release at the Prairie Island or Monticello plants. Lastly, this activity serves, indirectly, the entire state of Minnesota, because an accident/incident at either plant could significantly impact all Minnesotans.

Services Provided

Principal Nuclear Plant Preparedness services include:

- coordinating state and local emergency planning relative to a potential power plant accident/incident;
- coordinating the development and conduct of a comprehensive, federally-evaluated emergency exercise involving multiple state agencies, local governments, and one of Minnesota's nuclear plants, each year;
- ensuring that the State Emergency Operations Center is maintained in a constant state of readiness for a potential plant accident/incident;
- administering grants to state agencies, cities, and counties that support and carry out nuclear plant preparedness and response activities;
- conducting annual training for state and local agencies;
- ensuring that all state and federal regulations and requirements relating to nuclear power plants are met; and
- arranging for the pre-distribution of Potassium Iodide within the 10-mile EPZ.

Historical Perspective

In the past several years, the federal planning and preparedness requirements placed on state and local governments have been increasing significantly. Most recently, for example, the Nuclear Regulatory Commission has announced that, in addition to their current emergency exercises, nuclear plants must periodically conduct exercises whose scenarios are based on terrorism-type incidents. The active participation of state and local government agencies in these exercises will be mandatory. As a result of the increasing requirements associated with nuclear plant preparedness, such governments have steadily been incurring additional costs. As a consequence of this fact, the assessment on the utility that owns the Prairie Island and the Monticello nuclear plants will need to be increased during FY 2008.

Key Measures

The number of areas requiring corrective action (ARCAs) and the number of deficiencies given by federal evaluators during a full-scale nuclear power plant exercise.

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One nuclear power plant drill and one full-scale exercise will be held each year, with the goal of receiving no exercise deficiencies. This performance measure serves as an indicator of the state's ability to conduct an exercise that adequately addresses all the requirements established by the federal government. More importantly, it demonstrates the state's ability to respond effectively to a nuclear plant accident/incident, and to protect the safety of the public. The federal government has established a detailed list of requirements and time deadlines that must be met by state and local governments in preparation for the annually required, full-scale exercise. During the exercise, the state, participating local governments, and the utility must successfully demonstrate that all exercise criteria have been met. The federal exercise observers who are onsite in the state emergency operations center (SEOC) and other locations evaluate the performance of all exercise participants. Depending upon the performance of the state participants, the federal evaluators may find one or more ARCAs, or one or more *deficiencies*. A deficiency is more serious, because it indicates that the state may not be able to adequately carry out a specific emergency response function.

Recent record of performance – annual, full-scale, nuclear power plant drills, and federally evaluated exercises:

Year	Date of Drill	Date of Exercise	No. of ARCAs	No. of Deficiencies
1996	May 14	August 30	1	0
1997	October 8	(Exempted due to flood)	0	0
1998	June 10	July 22	0	0
1999	May 17	June 22	2	0
2000	August 2	September 13	0	0
2001	April 28	June 7	0	0
2002	April 3	May 15	1	0
2003	October 15	November 19	2	0
2004	May 5	June 16	3	1[1]
2005	July 20	August 30	3	0
2006	June 6	July 18	1	0
Total number of exercise ARCAs & Deficiencies:			**13**	**1**

Activity Funding

This activity is funded out of the Nuclear Safety Preparedness Account in the Special Revenue Fund. Assessments are to the operators of nuclear power plants or dry cask storage facilities located in Minnesota.

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[1] This was a shared deficiency with the state of Wisconsin on coordination issues; which issues were subsequently resolved.

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Misc Special Revenue	2,049	2,080	2,540	2,497	5,037
Total	**2,049**	**2,080**	**2,540**	**2,497**	**5,037**
Expenditures by Category					
Total Compensation	390	464	545	573	1,118
Other Operating Expenses	394	255	391	361	752
Local Assistance	1,265	1,361	1,604	1,563	3,167
Total	**2,049**	**2,080**	**2,540**	**2,497**	**5,037**
Full-Time Equivalents (FTE)	**5.6**	**6.0**	**7.4**	**7.4**	

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Budget Activities

⇒ Criminal Apprehension Support
⇒ Criminal Investigations
⇒ Criminal Justice Information Systems
⇒ CriMNet
⇒ Forensic Science Service
⇒ Policy Training and Development

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	39,520	40,860	40,860	40,860	81,720
Technical Adjustments					
One-time Appropriations			(1,090)	(1,120)	(2,210)
Subtotal - Forecast Base	39,520	40,860	39,770	39,740	79,510
Governor's Recommendations					
CriMNet Justice Information Integration		0	6,955	8,584	15,539
Forensic Scientists		0	1,018	1,871	2,889
Compensation Adjustments		0	582	1,210	1,792
Total	**39,520**	**40,860**	**48,325**	**51,405**	**99,730**
State Government Spec Revenue					
Current Appropriation	7	7	7	7	14
Subtotal - Forecast Base	7	7	7	7	14
Total	**7**	**7**	**7**	**7**	**14**
Misc Special Revenue					
Current Appropriation	440	439	439	439	878
Subtotal - Forecast Base	440	439	439	439	878
Governor's Recommendations					
Compensation Adjustments		0	6	22	28
Total	**440**	**439**	**445**	**461**	**906**
Trunk Highway					
Current Appropriation	361	361	361	361	722
Subtotal - Forecast Base	361	361	361	361	722
Governor's Recommendations					
Compensation Adjustments		0	6	13	19
Total	**361**	**361**	**367**	**374**	**741**
Expenditures by Fund					
Direct Appropriations					
General	35,227	46,378	48,325	51,405	99,730
State Government Spec Revenue	1	13	7	7	14
Misc Special Revenue	399	480	445	461	906
Trunk Highway	345	377	367	374	741
Statutory Appropriations					
General	1,539	1,683	1,756	1,822	3,578
Misc Special Revenue	4,172	5,873	4,984	4,984	9,968
Federal	6,219	2,738	1,272	221	1,493
Gift	60	20	4	4	8
Total	**47,962**	**57,562**	**57,160**	**59,278**	**116,438**

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Category					
Total Compensation	22,771	29,307	28,389	30,319	58,708
Other Operating Expenses	23,719	28,255	28,446	28,034	56,480
Capital Outlay & Real Property	2	0	0	0	0
Local Assistance	1,470	0	325	925	1,250
Total	**47,962**	**57,562**	**57,160**	**59,278**	**116,438**
Expenditures by Activity					
Forensic Science Service	12,372	13,994	13,712	14,451	28,163
Criminal Justice Inform. Sys.	16,363	23,297	18,572	18,780	37,352
Criminal Investigations	10,976	13,602	12,388	12,343	24,731
Police Training & Development	1,052	1,216	1,083	1,102	2,185
Criminal Apprehension Support	744	787	657	686	1,343
Crimnet	6,455	4,666	10,748	11,916	22,664
Total	**47,962**	**57,562**	**57,160**	**59,278**	**116,438**
Full-Time Equivalents (FTE)	**312.9**	**342.7**	**359.6**	**369.2**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$6,955	$8,584	$2,032	$2,032
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$6,955	$8,584	$2,032	$2,032

Recommendation

The Governor recommends additional funding to begin implementation of the core, statewide information integration priorities that will link and consolidate information to support better decision-making at key events in the criminal justice system. The key initiatives are as follows:

- ⇒ Develop a statewide service (the Name Event Index Service – NEIS) that will link people and events (eventually by a biometric such as a fingerprint) to provide accurate identification of individuals;
- ⇒ Develop an electronic system (eCharging) to prepare and transmit charging documents between law enforcement, prosecution offices and the courts (also supports the electronic linkage of these critical events);
- ⇒ Create a consolidated view of information around a subject or event that will allow criminal justice users to access statewide repositories of information through a single point of access and to tailor the data they receive based on a specific need and their role in the criminal justice system;
- ⇒ Lay the foundation for "single sign-on" and begin the conversion of Bureau of Criminal Apprehension (BCA) systems to single sign-on;
- ⇒ Replace existing livescan units that are reaching the end of their lifecycle and do not support palm print capture for use in latent processing; and
- ⇒ Develop an updated criminal justice reporting system which meets FBI requirements to replace the antiquated system which will no longer be supported.

Background

Accurate identification is a cornerstone principle for criminal justice information sharing. Minnesota has no statewide identification service that establishes a definitive one-to-one relationship between an individual's identity and the records stored and shared on that individual. The NEIS will improve accurate identification of individuals and could accurately match an individual with events to provide criminal justice professionals a more complete picture. It will relate to the records it links much like the card catalog in the library relates to the books – it provides an index of the information located in records throughout the system. This funding will allow NEIS to link data from the BCA, the Department of Corrections, the courts, and two to three pilot counties.

Currently there is no service available to allow law enforcement and prosecution offices (at both the city and county level) to electronically prepare and transmit charging documents with the courts. This has resulted in major process inefficiencies, inaccurate data, and delays in the criminal justice system. The eCharging service will allow for routing, temporary retention, filing, and printing on demand of all charging documents, including electronic signatures, for all felony, gross misdemeanor and statutory misdemeanor cases. This service will also include DWI charges and address the needs required by the state to take administrative action against an offender's driver's license. The eCharging service will result in a tremendous increase in process efficiency, data accuracy and a reduction in staff time and paperwork. This funding will allow three pilot counties to be implemented. Full statewide rollout will depend on future funding.

Minnesota criminal justice practitioners have access to a number of different electronic sources for the information they need to do their jobs. However, in many cases, agencies must access these systems from a number of different access points, learning how to navigate dozens of systems, read information in many formats and remember a significant number of login names and passwords. Advances in technology now allow integration of these systems, so that separate access points are no longer necessary, provided the access can adhere to standard security protocols. This funding will allow the BCA to begin to provide criminal justice users a tailored

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view to information (all information accessible through the BCA) for decisions they need to make driven by their role in the criminal justice system.

As state electronic information repositories were developed in Minnesota, they each developed separate security protocols and user administration systems. This has resulted in dozens of usernames and passwords for the different systems available, though each system bases its access on the job duties assigned by the agency. Because of this, there is vulnerability when data is shared between agencies and there is also a significant reduction in efficiency due to the loss of time to access information and the cumbersome process. This funding will lay the foundation for a "single sign-on" for future statewide systems and will allow the BCA to begin the conversion of current BCA systems/repositories to single sign-on.

Livescan units purchased for local agencies with Katie's Law funds in 2000-2001 have allowed almost all fingerprints to be submitted electronically, reducing the turnaround time for accurate identification of individuals from weeks to hours. Eighty-eight of these livescans have come to the end of their lifecycle and need to be replaced. The new livescan devices also have an increased capability to capture palm prints in support of latent processing.

The current Criminal Justice Reporting System (CJRS) is a 30-year-old antiquated system which requires a significant amount of manual data entry and limits Minnesota's ability to analyze crime trends and recommend new business practices. This system will no longer be supported in the near future. The new system (MN NIBRS) will meet national FBI standards and have enhanced capabilities for collecting, analyzing, and displaying crime data. This will mean more detailed crime data – an important piece for analyzing crime statistics.

Relationship to Base Budget

This request is in addition to the CriMNet/CJIS base budget of $34.283 million for FY 2008-2009. Ongoing costs are $4,064,000 per biennium for nine FTEs and maintenance. This biennial amount is part of a multi-year development and implementation cost for core integration priorities.

Key Measures

- By 2010, appropriate criminal justice events from the BCA, DOC, Courts, and two to three pilot counties will be linked through NEIS.
- By 2009, the eCharging Service will be implemented in three pilot counties.
- By 2011, a single user interface and role-based access to information (through the BCA) will be developed.
- By 2010, selected BCA statewide systems will be converted to single sign-on.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	$544	$977	$977	$977	$977	$977
Supplies	18	27	23	23	23	23
Hardware	2951	3307	1	1	1	1
Software	330	572	0	0	0	0
Facilities	11	19	19	19	19	19
Services	2764	2735	990	990	990	990
Training	12	22	22	22	22	22
Grants	325	925	0	0	0	0
TOTAL	**$6,955**	**$8,584**	**$2,032**	**$2,032**	**$2,032**	**$2,032**

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,018	$1,871	$1,852	$1,852
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,018	$1,871	$1,852	$1,852

Recommendation

The Governor recommends increased funding for 20 new forensic scientists over the next two years at a cost of $2.889 million for the biennium to reduce the laboratory turn-around time on examinations made on physical evidence critical to solving crimes committed in the state of Minnesota.

Background

♦ *Problem:*

The turn around time of cases in a majority of scientific specialties is three months or more. There has been a 27% increase in case submissions since FY 2004. At the same time there is an increased interest from criminal justice partners in physical evidence of all kinds and in particular DNA. Bureau of Criminal Apprehension (BCA) Forensic Science Laboratory has implemented robotics and other state-of-the art analytical technologies that have allowed the BCA to almost keep pace with the increased case load in the past; however this approach will provide limited relief for the future. New positions that have been added to the laboratory in the last few years have been targeted to new programs such as mitochondrial DNA and the DNA offender database. These positions did not provide any relief to other case work sections (including nuclear DNA). The scientific examination of physical evidence is an indispensable element in the expedient solution of crimes, from the identification of a rape/homicide suspect using DNA to the identification of a drug in a suspected controlled substance case.

♦ *Proposed Change and Rationale:*

This change would provide 20 additional forensic scientists for the biennium (10 each year) to meet the increasing demand by the criminal justice system for forensic science laboratory services.

♦ *Support:*

The BCA's most recent client survey indicated that the overriding concern of all respondents regarding laboratory services was turn-around time.

For more information about the BCA Forensic Science Laboratories and service go to
http://www.dps.state.mn.us/bca/Lab/Documents/Lab-Intro.html

Relationship to Base Budget

The base funding for this activity is $10.270 million per year.

Key Measures

To provide forensic science services in a timely manner, with turn-around times of ***30 days or less*** for priority services.

Statutory Change: Not Applicable

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Activity Description

Senior management set policy and provide leadership and managerial support to the Bureau of Criminal Apprehension (BCA). This section also provides financial, human resources, data practices, and legislative support for the bureau.

Population Served

The entire criminal justice community (1,400 autonomous agencies) is served by the various BCA activities. This section facilitates and supports the staff and operations of the BCA to ensure that the goals of the organization are being met. The citizens of the state benefit indirectly from these activities in those communities are safer.

Activity at a Glance

- Six Town Hall Information meetings in greater Minnesota and the Twin Cities metro area with criminal justice and public safety constituents.
- Full implementation of Citizens' Academy concept focusing on private sector and legislative staff.
- Customer Survey documented a 98% good to excellent satisfaction evaluation by respondents.

Services Provided

BCA Support develops and implements policies and procedures, innovative management methods, and long-range strategic and operational planning. In addition, BCA Support provides representation on a number of boards and committees including: the Peace Officer Standards and Training Board; Private Detective and Protective Agents' Services Board; Gang and Drug Oversight Committee; American Society of Crime Laboratory Directors, SEARCH (criminal justice information), and numerous national, state, and local criminal justice policy development and implementation organizations. This section maintains partnerships with the Minnesota State Sheriffs Association, the Minnesota Chiefs of Police Association, Minnesota County Attorneys, U.S. Attorneys Office, the Minnesota Attorney General's Office, Association of Minnesota Emergency Managers. Through these efforts the section furthers the mission of the Department of Public Safety and increases the safety of Minnesota citizens by collaborating with other federal, state, and local public safety and law enforcement entities, citizen groups such as Mothers Against Drunk Drivers (MADD) and Missing Children-Minnesota, the Jacob Wetterling Foundation, as well as the business community.

It is the responsibility of this section to focus internal resources to ensure continuation of critical activities, to retain highly trained and competent staff, and to ensure that BCA services are accessible throughout the state. It is the varied and extensive expertise of the BCA that is critical to local agencies. This section ensures that the infrastructure of the bureau is such that internal support services are consistently administered to all other sections within the bureau. BCA Support administers the Undercover Buy Fund (299C.065) which provides resources to local agencies to assist in the investigation of violent crimes and other complex, long-term, and multi-jurisdictional investigations.

Historical Perspective

During the past two years, BCA Support has been involved in several initiatives to increase public and constituent information about the bureau. Specifically, members of the BCA's alumni association have continued to give tours of the headquarters building. The groups taking these tours include individuals from the legislature, criminal justice agencies, business, and the community. Additionally, the Citizens' Academy has been fully implemented and participants have included individuals from private industry, criminal justice, the general public, and the legislature.

BCA Support continually monitors and responds to trends in criminal justice. Overall, new challenges for the BCA include: upgrades in technology, integration of information systems, growth in employer background checks, fluctuating rate of compliance for predatory offenders, impact of the media on expectations for Forensic Science services, and importation of Methamphetamine into the state.

The BCA continues to explore creative means of funding critical activities through federal grants, foundations, dedicated receipts, public/private partnerships, and forfeited property. During the past two years, the BCA has worked closely with the business community to further develop the reward program called Spotlight on Crime

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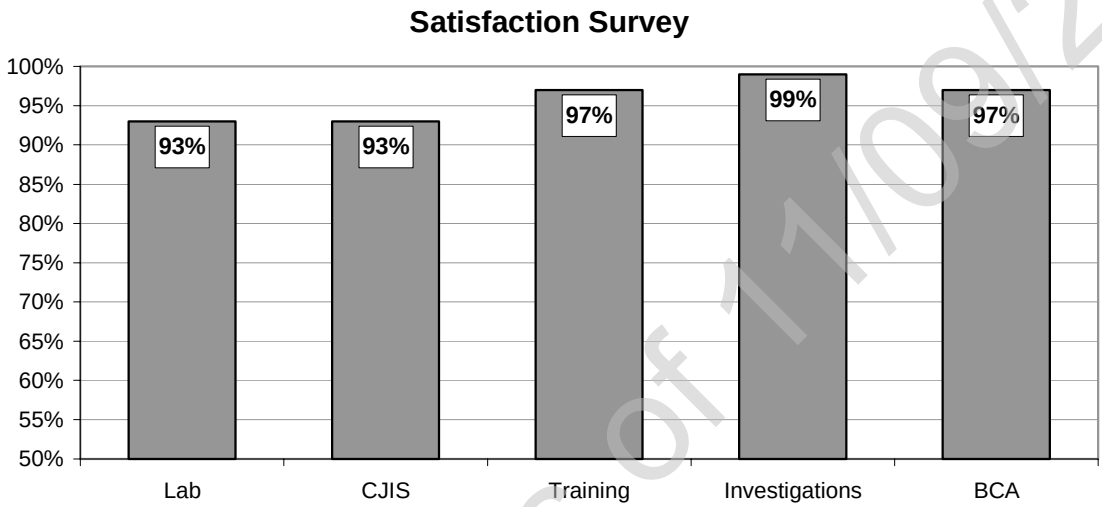
(299C.066). Spotlight on Crime funds provide cash rewards for information that helps solve violent crimes. This program is collaboration between members of the Minnesota Business Partnership and public safety officials.

Other collaborations that have benefited the bureau included outreach to 3M's product research. Through this connection the bureau is assisting with testing the durability of 3M's copyrighted drivers' license laminate, and the BCA is in preliminary discussions related to other law enforcement uses for this product.



Clientele Outreach and Satisfaction

Senior Management within BCA support conducted a series of six Town Hall meetings directed at its major constituents. This included law enforcement, court administration, emergency managers, and county attorneys. These meetings were conducted in both greater Minnesota (Bemidji, Hermantown, Mankato, and Rochester) and in the Twin Cities metro area (Washington County, Dakota County, and Carver County). Each session was approximately two hours long with each member of the bureau's senior management team presenting their areas of responsibility. The presentations included updates on legislative initiatives, future trends, status updates on existing projects, and key contact information. These meetings were held in collaboration with the Minnesota Chiefs of Police Association and the Minnesota Sheriffs Association. This initiative was well received by constituents at each location.

In the latter part of FY 2006, the BCA initiated an online client satisfaction survey. This survey was targeted to Minnesota Chiefs and Sheriffs. Of those responding 98% evaluated bureau services as either good or excellent.

Activity Funding

This activity is funded by a mix of General Fund appropriations and Special Revenue Funds. The Special Revenue Funds are used to assist law enforcement agencies with unanticipated costs associated with complex investigations. These reimbursements are funded through the driver license reinstatement fees.

Contact

Linda Finney
Superintendent
(651) 793-1000
http://www.dps.state.mn.us/bca/bca.html

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	666	678	564	593	1,157
Misc Special Revenue	78	109	93	93	186
Total	**744**	**787**	**657**	**686**	**1,343**
Expenditures by Category					
Total Compensation	525	536	424	453	877
Other Operating Expenses	219	251	233	233	466
Total	**744**	**787**	**657**	**686**	**1,343**
Full-Time Equivalents (FTE)	**7.2**	**6.4**	**5.6**	**5.8**	

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Activity Description

The Bureau of Criminal Apprehension (BCA) provides coordination and investigative assistance to local law enforcement agencies for complex, multi-jurisdictional, or long-term felony-level investigations. Agents and analysts provide state-of-the-art investigative techniques and sophisticated technology to assist in case solutions. This is expertise that the vast majority of law enforcement agencies cannot locally support.

Activity at a Glance

- Criminal investigative services provided to law enforcement agencies throughout the state including 87 sheriffs departments and over 400 police departments.
- AMBER Alert activated for two missing children who were safely recovered.
- In a 2006 survey of Minnesota Chiefs and Sheriff's, 97% rated BCA Investigative services either excellent or good.

Population Served

The investigative units serve the entire criminal justice community in the state. Field offices are located in Alexandria, Bemidji, Brainerd, Center City, Duluth, Grand Rapids, Mankato, Marshall, Moorhead, Rochester, Roseau and Willmar. Their services result in safer communities for the citizens of Minnesota.

Services Provided

The investigative units have extensive experience in felony investigations including violent crimes, drug trafficking, and computer crimes.

Specialists at headquarters provide highly sophisticated technical assistance to law enforcement. The graphics staff assists with videotapes and photographs of crime scenes, provides scale sketches of crime scenes, conducts facial reconstructions, enhances photographs of missing children using age progression techniques, and draws composite sketches of suspects. Advanced surveillance, computer, and other technical assistance in support of investigations are also provided throughout the state.

The **Special Investigations Section** primarily conducts investigations of upper-level, interstate and international drug trafficking organizations operating within the state. Agents in this unit also conduct other proactive investigations and assist with major reactive investigations, such as kidnappings.

The **St. Paul Regional Office** investigates murders, sexual assaults, and other violent crimes throughout the southern half of the state. The **Bemidji Regional Office** provides the same investigative services to the northern half of the state.

The **Investigative Services Section** directs the Predatory Offender Investigation Unit, Predatory Offender Registration, Internet Crimes Against Children and the Missing Persons Unit.

Historical Perspective

⇒ The BCA has 68 special agents. Approximately half are assigned to our 12 field offices. These field offices are geographically located to provide timely responses to requests for investigative assistance by local agencies.

⇒ In recent years, the BCA has been called upon more regularly to partner with federal, state, and local agencies to solve complex, violent crimes that cross jurisdictional lines. Additionally, special agents and analysts have been called upon to provide advanced technological assistance for a wide range of reactive and proactive investigations.

⇒ In 1989, the BCA Crime Scene Team was formed and responded to eight death, kidnapping or otherwise violent crime scenes. In the past five years, the team has responded to an average of 85 such requests for assistance each year.

⇒ The Predatory Offender Registration (POR) System was established at the BCA in 1991 with 300 registered offenders. Today, there are 15,000 offenders registered. All registration records are immediately accessible online to local law enforcement agencies throughout the state. The plan is to expand accessibility to other agencies as permitted under state law.

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Key Measures

A statewide sweep conducted in June of 2006 by Predatory Offender Investigations and Registration Units, resulted in an all-time high compliance rate of 92.8%.

Activity Funding

This activity is funded by a mix of General Fund appropriations, Special Revenue Funds, and federal funds. A portion of the Special Revenue funding is from disposition of drug forfeitures. BCA also receives a portion of the motor vehicle title transfer surcharge revenues. The revenues are used to purchase law enforcement vehicles for this activity.

Contact

Timothy O'Malley
Assistant Superintendent
(651) 793-1020
http://www.dps.state.mn.us/bca/invest/documents/Inv-Intro.html

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	9,609	12,196	11,274	11,445	22,719
Statutory Appropriations					
Misc Special Revenue	768	941	821	821	1,642
Federal	549	465	293	77	370
Gift	50	0	0	0	0
Total	**10,976**	**13,602**	**12,388**	**12,343**	**24,731**
Expenditures by Category					
Total Compensation	7,212	9,871	9,459	9,602	19,061
Other Operating Expenses	3,764	3,731	2,929	2,741	5,670
Total	**10,976**	**13,602**	**12,388**	**12,343**	**24,731**
Full-Time Equivalents (FTE)	**92.7**	**111.0**	**114.6**	**112.8**	

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The Criminal Justice Information Systems (CJIS) unit manages a statewide dedicated network and a series of justice information systems that provide the criminal justice community instant access to critical information relating to crimes and criminals. These systems include statewide criminal history, information on wanted/missing persons, stolen guns, orders for protection, predatory offenders, gang members, vehicles, and property. CJIS also provides links to over 75,000 criminal justice agencies in the United States, Canada, and Mexico.

Activity at a Glance

- 155,442 fingerprint cards were received in 2005. During 2005, nine out every ten fingerprint cards were received electronically from 167 LiveScan devices located at 152 criminal justice agencies.
- 98,906 background checks were conducted at the Bureau of Criminal Apprehension (BCA) plus 245,632 background checks were electronically conducted by the Department of Human Services and the Department of Education. Public criminal history searches over the internet were 502,404.
- 660 agencies and 14,000 devices (terminals and mobile data computers) are connected to the statewide Criminal Justice Data Network.
- 733,995 records are in the Minnesota Repository of Arrest Photos (MRAP).
- 16,621 records are maintained on Predatory Sexual Offenders (POR).
- Development and implementation of handgun Permit Tracking System (PTS) maintaining records on 33,794 permits.

Population Served

The entire criminal justice community in the state and the nation is served by the availability of information systems provided by CJIS. Non-criminal justice agencies and the citizens of the state are also served through employment and licensing background checks which make the workplace safer.

Services Provided

Services provided include:

- instantaneous access to data for law enforcement officers, dispatchers, courts, corrections, public defenders, county attorneys, Department of Natural Resources, Department of Human Services, and federal agencies through the Criminal Justice Data Network (CJDN);
- Help Desk support to agencies and BCA users;
- legislatively mandated background checks for teachers, school bus drivers, security guards, etc.;
- Internet access to public Criminal History Records (CCH) for citizens and businesses;
- training and auditing services;
- central repository for mug shots including query/search access, photo line-ups, mug books, and facial recognition;
- collection and compilation of crime data for the following: crimes committed in Minnesota, law enforcement officers killed in action, shots fired, pursuit, bias-motivated crimes, number of concealed carry permits, and racial profiling information;
- operational processing of all fingerprint cards (electronic and paper) to create a central repository for identification and criminal histories.

Historical

With the world landscape changing almost daily and terrorist activities or conflicts occurring in many parts of the globe, information about criminals, whether homegrown thieves or murderers or international terrorists, has become the first line of defense in the criminal justice arsenal. CJIS has traditionally been the focal point for the Minnesota criminal justice system to obtain fingerprint identification of criminals and criminal histories.

Minnesota has recently taken great strides in identifying criminals. CJIS has provided devices to booking facilities that allow the electronic capture of fingerprints, thereby reducing the identification process for criminals booked in those facilities from weeks to hours. CJIS is now poised for the implementation of the new Automated Fingerprint Identification System (AFIS) to reduce that identification to minutes rather than hours. The benefits of this improvement in identification will have ripple effects throughout the criminal justice system including better

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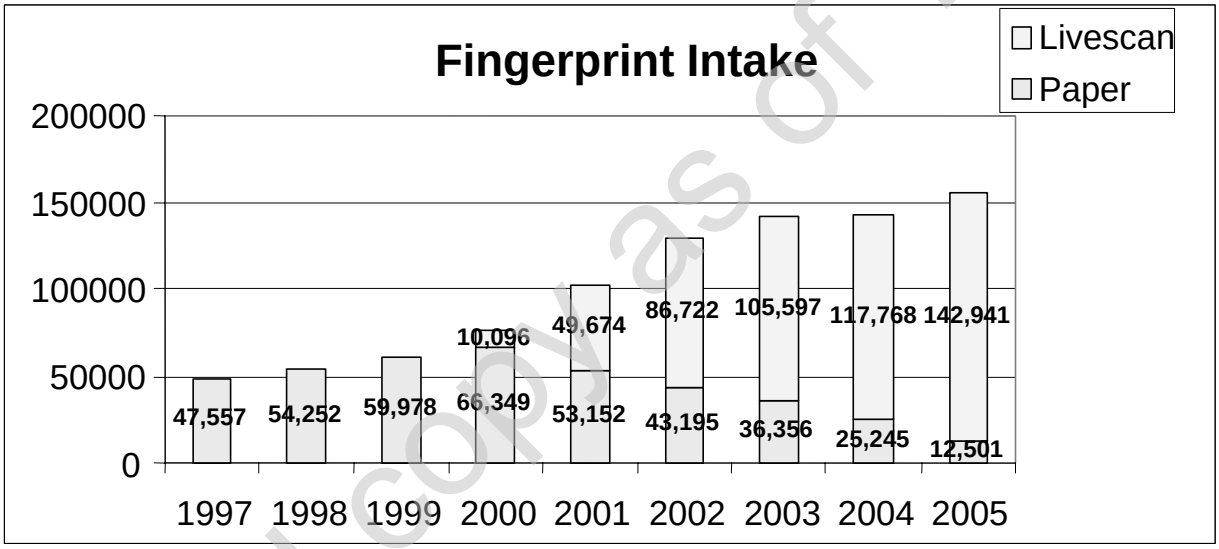
information to citizens. In 2005 CJIS implemented a web site for citizens to query public criminal justice histories. This site received 502,404 inquiries in FY 2006.

CJIS has spent the last few years positioning itself to be not only the provider of criminal justice information for Minnesota but also the integration point for relevant, timely, and critical data about those in our society who would harm us. Working in conjunction with CriMNet, CJIS is developing integrations to criminal justice information that will allow consolidated access and views of data from a variety of state and federal sources to be displayed for Minnesota criminal justice agencies. As a result it will be much easier to answer the questions: What has this person done? Where is he/she in the criminal justice process? What other relevant data about this person is available?

Key Measures

The number of fingerprints processed. Fingerprint intake has grown by over 227% since 1997 due to the BCA's efforts to promote the importance of submitting fingerprints and the deployment of electronic fingerprint capture devices (LiveScan). For the first six months of 2005, we continued to see growth with electronic fingerprint submissions (up 23%) and a reduction in mail-in fingerprint cards (down 83%). BCA now receives 93% of the fingerprint submissions electronically.



⇒ The number of non-criminal justice background checks completed. Over 367,000 non-criminal background checks were completed in FY 2006. Including name and DOB (date of birth), 98,900 were conducted by BCA personnel; 245,600 name and DOB checks were conducted by the Department of Human Services and the Department of Education, and 27,300 fingerprint based FBI checks were conducted.

Activity Funding

This activity is funded by a mix of General Fund appropriations, Special Revenue Funds, and federal funds. Criminal background check fees are collected to cover the costs of processing background requests and a portion of the costs to maintain the criminal history record system. Monthly connection and access fees are assessed to cover a portion of the cost of maintaining the CJDN.

Contact

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http://www.dps.state.mn.us/bca/CJIS/Documents/CJIS-Intro.html

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Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	11,589	18,214	14,033	14,175	28,208
Statutory Appropriations					
General	1,524	1,643	1,716	1,782	3,498
Misc Special Revenue	2,250	3,203	2,823	2,823	5,646
Federal	1,000	237	0	0	0
Total	**16,363**	**23,297**	**18,572**	**18,780**	**37,352**
Expenditures by Category					
Total Compensation	6,367	8,168	7,387	7,620	15,007
Other Operating Expenses	9,996	15,129	11,185	11,160	22,345
Total	**16,363**	**23,297**	**18,572**	**18,780**	**37,352**
Full-Time Equivalents (FTE)	**90.7**	**96.0**	**97.8**	**97.0**	

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Activity Description

CriMNet is a collaboration of people, processes, and standards focused on enabling the exchange of accurate and comprehensive information to criminal justice agencies throughout Minnesota. The goal of CriMNet is to create and maintain a criminal justice information framework – the standards, protocols, processes etc. which result in the ***right information*** in the hands of the ***right people*** at the ***right time*** and in the ***right place***. M.S. 299C.65 is the guiding statute for CriMNet activities.

Activity at a Glance

- Over 1,000 criminal justice practitioners have received information/assistance through liaison visits.
- A single source statute web service now provides comprehensive information on all criminal justice statutes for use by practitioners and the public.
- Over 2,600 users have access to the integrated search service which provides data from over seven state repositories/record sources in one location.
- The new Comprehensive Incident-Based Reporting System (CIBRS) was completed and is now being rolled out to law enforcement agencies.
- There is a new technical standards web site for formal vetting of technical standards by criminal justice agencies and vendors.

Population Served

The entire criminal justice community in Minnesota is served by the activities of the CriMNet Program. Crime victims and Minnesota citizens in general are also served by the activities of CriMNet.

Services Provided

Activities of the CriMNet Program include:

- development and maintenance of user requirements;
- development and maintenance of business standards;
- development and maintenance of technical standards;
- assistance to criminal justice agencies (business and technical assistance);
- preparation and maintenance of a statewide implementation plan;
- assessment of criminal justice agencies' technical capabilities and business practices;
- development and maintenance of data practice compliance standards;
- establishment and maintenance of identification protocol;
- establishment and maintenance of data quality standards;
- rollout of the CriMNet "integrated search services;" and
- establishment and maintenance of CriMNet middleware service functions.

Historical Perspective

Minnesota's efforts to integrate criminal justice information began with planning in the early 1990s. In 2001, the legislature adopted an official statewide plan for integrating criminal justice information and referred to this effort as CriMNet. Included in the 2001 legislation was a specific governance structure for CriMNet. At this time, the focus of CriMNet was on the technical piece of information sharing and the development of a "backbone" to exchange information. In 2003-2004, with the approval of the CriMNet Strategic Plan and CriMNet Scope Statement, the focus of the CriMNet Program shifted to developing business and technical standards and fostering collaboration among criminal justice agencies.

In November 2003, the CriMNet Program became part of the Department of Public Safety's Bureau of Criminal Apprehension (BCA) and currently receives tactical support and day-to-day oversight from BCA management; however, statutorily, CriMNet is governed by the Criminal and Juvenile Justice Information Policy Group (Policy Group) made up of four members of the judicial branch appointed by the Chief Justice of the Supreme Court; the commissioners of Public Safety, Corrections and Finance; the State Chief Information Officer; and the Chair and Vice Chair of the Criminal and Juvenile Justice Information Task Force (Task Force). The Policy Group exists to provide leadership for the overall strategic and policy direction of the statewide criminal justice integration enterprise. The Task Force includes representatives from all criminal justice practitioner groups, the public, the legislature, cities/counties, and other state agencies. The Task Force is charged with assisting the Policy Group in their duties as directed by the Policy Group and therefore works very closely with the CriMNet Program Office in advising the Policy Group and Program Office on CriMNet-related projects and initiatives.

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Activity Funding

This activity is funded by both state General Fund appropriations and federal funds.

Contact

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Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	2,744	3,517	10,083	11,772	21,855
Statutory Appropriations					
Federal	3,711	1,149	665	144	809
Total	**6,455**	**4,666**	**10,748**	**11,916**	**22,664**
Expenditures by Category					
Total Compensation	1,506	2,542	2,727	3,223	5,950
Other Operating Expenses	3,479	2,124	7,696	7,768	15,464
Local Assistance	1,470	0	325	925	1,250
Total	**6,455**	**4,666**	**10,748**	**11,916**	**22,664**
Full-Time Equivalents (FTE)	**18.4**	**22.2**	**31.0**	**34.6**	

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The Bureau of Criminal Apprehension (BCA) Forensic Science Service (FSS) provides scientific examinations of physical evidence from Minnesota's law enforcement agencies. Scientists provide expert witness testimony to the courts, assist law enforcement in the processing of major crime scenes to recover evidence, and instruct law enforcement in the proper collection and presentation of physical evidence.

Activity at a Glance

In FY 2006:

- Served 536 law enforcement agencies in 87 counties
- Examined 15,924 cases (a 27% increase since FY 2004)
- 286 court appearances
- 67 crime scene responses
- 11,143 DNA offender samples received

Population Served

The laboratories of the FFS serve the entire criminal justice community in Minnesota. The labs also collaborate with the Federal Bureau of Investigation (FBI) by submitting DNA offender profiles to the national database and with the Bureau of Alcohol Tobacco and Firearms (ATF) by submitting cartridge case images to the National Integrated Ballistic Information Network (NIBIN) database. The citizens of the state are served by the lab's contribution towards solving crime and providing evidence for the conviction of offenders.

Services Provided

The BCA Forensic Science Service operates two forensic science laboratories. At the main laboratory in Saint Paul, scientists perform scientific examinations of physical evidence recovered from crime scenes. Lab sections specialize in the areas of drug identification, trace evidence (including arson), firearms and tool marks, latent fingerprints, questioned documents, toxicology, and DNA. The Bemidji regional laboratory sections include drugs, latent fingerprints, firearms, and DNA. Scientists also provide expert witness testimony at trial in each of these areas.

Crime scene processing service is provided by scientists for the identification and collection of physical evidence from potential homicides throughout the state. Teams from both Saint Paul and Bemidji are on-call 24 hours a day to respond to requests for assistance. The crime scene response from the Bemidji facility provides service to the northern half of the state.

The BCA lab operates a statewide Driving While Impaired (DWI) testing program. The BCA lab maintains 258 intoxilyzers (breath alcohol testing instruments) at 200 law enforcement agency locations throughout the state. In FY 2006 the lab certified 291 officers to operate the instruments and re-certified 1,766 officers. Trained operators performed 26,927 tests in FY 2006. In addition, the lab analyzes blood and urine samples for alcohol and drug levels for DWI cases in the state (9,064 cases).

The BCA lab maintains a DNA offender database referred to as CODIS (Combined DNA Index System). The database has over 42,390 DNA offender profiles. The database is used to search DNA profiles obtained from blood and semen specimens recovered in cases where there are no suspects. The state database is connected to the national offender database maintained by the FBI called NDIS (National DNA Index System), which includes over 3.2 million offenders from all 50 states.

The BCA lab maintains a cartridge case database through a cooperative agreement with the ATF. The system is called NIBIN (National Integrated Ballistic Identification Network). The system is used to link firearms related cases. Image capture stations are located at the BCA in Saint Paul and Bemidji, the Minneapolis Police Department and the Hennepin County Sheriffs' Crime Labs. The BCA had 1,082 entries in FY 2006 resulting in 64 hits.

The BCA lab maintains a database of latent fingerprints that are searched against all the fingerprints in MAFIN (Midwestern Automated Fingerprint Identification Network) which is operated by the BCA Criminal Justice Information System Division (CJIS). 646 latent fingerprints were entered in FY 2006 that resulted in 10,896 examinations and 56 hits (identifications).

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Laboratory scientists are instructors for courses hosted by the BCA Training Unit on the collection of physical evidence from crime scenes, basic and advanced latent fingerprinting, arson investigation, and drug investigation.

Historical Perspective

The BCA laboratories are accredited through the American Society of Crime Laboratory Directors/ Laboratory Accreditation Board (ASCLD/LAB). Accreditation is one part of a laboratory's quality assurance program, which also includes proficiency testing, continuing education, and other programs to help provide better overall service to the criminal justice system. This program demonstrates that the laboratory management, personnel, operational and technical procedures, equipment and physical facilities meet established standards.

In July of 2006, the DNA offender database was expanded to include offenders convicted of felonies and those arrested and charged with violent crimes.

Through a partnership with the FBI Laboratory the BCA established a regional mitochondrial DNA laboratory. The FBI provides funding for this program and cases are submitted through the FBI from anywhere in the country (25% are from Minnesota). Mitochondrial DNA is the technique used for extremely degraded samples such as skeletal remains or for samples such as hair that do not contain nuclear DNA.

Key Measures

The amount of time it takes to complete a case. The goal is to increase the number of cases completed in less than 30 days from the actual 58% in FY 2006 to 75% in FY 2007.

	FY 2006	FY 2007 Goal
0-7 days	25%	25%
8-14 days	19%	25%
15-30 days	14%	25%
>30 days	42%	25%

Database hits. The goal is to increase the number of cases where subjects are identified through the use of DNA, fingerprint, or firearms databases. These databases have assisted in the successful prosecution of previously unresolved crimes.

Database	FY 2006	FY 2007 Goal
DNA (CODIS)	155	200
Fingerprint (MAFIN)	56	70
Firearms (NIBIN)	64	70

Activity Funding

This activity is funded by a mix of General Fund appropriations, Special Revenue Funds, Trunk Highway Fund appropriation, and federal funds.

Contact

Frank Dolejsi
Director, Forensic Laboratory
(651) 642-0700
http://www.dps.state.mn.us/bca/lab/documents/Lab-Intro.html

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PUBLIC SAFETY DEPT
Program: CRIMINAL APPREHENSION
Activity: FORENSIC SCIENCE SERVICE

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	9,735	10,841	11,449	12,479	23,928
Misc Special Revenue	321	371	352	368	720
Trunk Highway	345	377	367	374	741
Statutory Appropriations					
General	15	40	40	40	80
Misc Special Revenue	1,011	1,478	1,190	1,190	2,380
Federal	945	887	314	0	314
Total	**12,372**	**13,994**	**13,712**	**14,451**	**28,163**
Expenditures by Category					
Total Compensation	6,566	7,578	7,774	8,784	16,558
Other Operating Expenses	5,806	6,416	5,938	5,667	11,605
Total	**12,372**	**13,994**	**13,712**	**14,451**	**28,163**
Full-Time Equivalents (FTE)	**95.3**	**98.6**	**102.3**	**110.8**	

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The Bureau of Criminal Apprehension's (BCA) Police Training and Development Unit provides training to local law enforcement throughout the state. Training topics include: narcotics, clandestine lab entry certification, arson investigation, specialized investigative techniques, crime alert network certification, evidence collection, missing persons response and law enforcement management. This unit's activities include several collaborations with other state agencies, federal law enforcement, investigative associations, and advocacy groups.

Activity at a Glance

- 95 courses offered to 4,700 students in FY 2006.
- Over 600 Alerts were sent using the Minnesota Crime Alert Network in 2005.
- 100,000 crime prevention and narcotics informational materials distributed.

BCA Drug Abuse Resistance Education (D.A.R.E.) training specialists prepare officers to teach elementary school children effective strategies to build student self-esteem, avoid drug abuse, and remain non-violent. This program holds one training program per year.

The Minnesota Crime Watch Program works closely with local law enforcement crime prevention units to promote personal and residential security. Crime Watch also provides training to crime prevention specialists throughout the state. It supports the National "Night Out" initiative, and 180 agencies involved in Crime Free Multi-housing.

This unit also provides training for the Minnesota Crime Alert Network (MCAN), a statewide communications network that enables law enforcement agencies to quickly alert the public and businesses about crime or criminals that may affect them. MCAN also assists in the administration of two other important programs:

- public through an early warning system when a child has been abducted; and
- the Missing Persons' Clearinghouse.

Population Served

BCA Training and Development serves the law enforcement community and other criminal justice professionals. In addition, the citizens of Minnesota also benefit from the D.A.R.E. program, Crime Watch Program, and Crime Alert Network.

Services Provided

Specific services provided include specialized training courses and conferences, various newsletters (D.A.R.E., Crime Watch, MCAN), printed educational materials in the areas of narcotics and crime prevention, crime prevention video lending library, catalog of classes (on CD-Rom), and faxed/e-mailed crime alerts. The Training Unit is also responsible for the in-service training for the Bureau's sworn personnel. This training includes all Peace Officer Standards and Training (POST) and Occupational Safety and Health Act (OSHA) mandated training. This also includes internal management training for bureau supervisors and managers.

Historical Perspective

The recent major changes to the Training and Development Unit have come in the form of technology advances and the ability to host large classes at the bureau's headquarters. Hosting classes at the bureau has helped to reduce the overall costs of training to participants. The use of online training technology on "Right-to-Know" materials for agent in-service training has saved both time and money. Other recent innovations include the unit's collaboration with federal, state, and private entities to produce educational materials on narcotics identification.

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Key Measures

- ⇒ Evaluation rating for courses offered by the Training and Development Unit (average was 8.6 in FY 2004 on a scale of one to ten).
- ⇒ The number of Crime Watch and narcotics informational materials disseminated (100,000 in FY 2005).
- ⇒ National Award and recognition for the newly created Missing Persons Investigative Certificate Series program that certifies law enforcement investigators throughout the state on Missing Persons Investigations.
- ⇒ The number of members on the Minnesota Crime Alert Network (over 10,000 members in FY 2005); 666 federal, state, and regional law enforcement agencies are involved in the network.
- ⇒ Participated in the creation of a POST credit database to be used by all DPS sworn officers.

Activity Funding

This activity is funded by a mix of General Fund appropriations and Special Revenue Funds. A portion of the costs of providing peace officer training is recovered through fees. A fee is charged to the members of the Crime Alert Network to recover a portion of the costs for sending electronic transmissions of information regarding crime, including missing children and crime prevention information. In addition, nonprofit organizations have held fundraisers to assist in covering cost associated with activations of the states AMBER Alert Plan.

Contact

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Training Unit
Special Agent in Charge
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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	884	932	922	941	1,863
State Government Spec Revenue	1	13	7	7	14
Statutory Appropriations					
Misc Special Revenue	143	251	150	150	300
Federal	14	0	0	0	0
Gift	10	20	4	4	8
Total	**1,052**	**1,216**	**1,083**	**1,102**	**2,185**
Expenditures by Category					
Total Compensation	595	612	618	637	1,255
Other Operating Expenses	455	604	465	465	930
Capital Outlay & Real Property	2	0	0	0	0
Total	**1,052**	**1,216**	**1,083**	**1,102**	**2,185**
Full-Time Equivalents (FTE)	**8.6**	**8.5**	**8.3**	**8.2**	

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Budget Activities

⇒ Fire Prevention Protection and Inspection
⇒ Fire Safety Account

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	2,845	2,832	2,832	2,832	5,664
Technical Adjustments					
Fund Changes/consolidation			(2,832)	(2,832)	(5,664)
Subtotal - Forecast Base	2,845	2,832	0	0	0
Total	**2,845**	**2,832**	**0**	**0**	**0**
Misc Special Revenue					
Current Appropriation	0	0	2,832	7,332	10,164
Subtotal - Forecast Base	0	0	2,832	7,332	10,164
Governor's Recommendations					
Fire Safety Account		0	3,330	1,800	5,130
Compensation Adjustments		0	34	111	145
Total	**0**	**0**	**6,196**	**9,243**	**15,439**
Expenditures by Fund					
Direct Appropriations					
General	2,664	3,043	0	0	0
Misc Special Revenue	0	0	6,196	9,243	15,439
Statutory Appropriations					
General	19	92	92	92	184
Misc Special Revenue	1,353	1,574	1,619	1,619	3,238
Federal	43	80	6	6	12
Total	**4,079**	**4,789**	**7,913**	**10,960**	**18,873**
Expenditures by Category					
Total Compensation	3,284	3,781	3,715	3,792	7,507
Other Operating Expenses	795	1,008	868	868	1,736
Local Assistance	0	0	3,330	6,300	9,630
Total	**4,079**	**4,789**	**7,913**	**10,960**	**18,873**
Expenditures by Activity					
Fire Prev, Protect & Inspect	4,079	4,789	4,583	4,660	9,243
Fire Safety Account	0	0	3,330	6,300	9,630
Total	**4,079**	**4,789**	**7,913**	**10,960**	**18,873**
Full-Time Equivalents (FTE)	**44.6**	**47.9**	**48.3**	**48.4**	

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The State Fire Marshal Division (SFM) protects lives and property by fostering a fire safe environment through investigation, enforcement, regulation, data collection and public education.

Population Served

The SFM Division serves all the citizens in the state of Minnesota, with particular emphasis on fire and law enforcement communities.

Services Provided

⇒ **Arson Investigation** – One chief investigator/ supervisor, nine fire/arson investigators and one fire/arson investigator/trainer are located throughout the state to assist local fire departments with fatalities and/or serious injury fires, fires of suspicious nature, and large dollar loss fires.

⇒ **Inspections** – Nineteen full-time inspectors and two supervisors located throughout the state are responsible for conducting inspections of hotels, motels, resorts, daycares, schools, hospitals, nursing homes, group homes, foster care facilities, correctional facilities, and other places of assembly. In addition to site visits, inspectors provide consultation to fire officials, architects, engineers, contractors, building inspectors, government officials, building owners/operators, and the general public regarding specific fire and life safety problems or concerns.

⇒ **Fire Protection Systems** – SFM is authorized to regulate the fire sprinkler protection industry through licensing and/or certification of contractors and sprinkler fitters. One half time supervisor and three sprinkler plan reviewers / inspectors ensure that contractors and designers of automatic fire protection systems are correctly designing sprinkler systems. Plan reviews for correct design are conducted for each installation in the state.

⇒ **Juvenile Firesetter Intervention / Public Fire Safety Education** – One deputy state fire marshal is responsible for this program. In calendar year 2005, 118 fires involved children setting fires; these fires resulted in $2.0 million in direct dollar loss, two civilian and two firefighter injuries. This position works with families and children, fire and law enforcement, mental health associations, and the juvenile justice system to promote fire safety. SFM and local fire service communities combine efforts to help Minnesotans achieve safer, healthier lives and environments. Fire and life safety education is an ongoing challenge. SFM is involved in many fire education event/programs throughout the state.

⇒ **Minnesota Fire Incident Reporting System (MFIRS)** – Data collection through this system is a major program in SFM. The SFM fire/data analysis team collects and analyzes over 195,000 incident reports annually and provides technical assistance to all Minnesota fire departments. 95% of Minnesota's fire departments reported in 2005.

⇒ **Fireworks –** SFM is required to enforce state law regarding public fireworks display safety and to certify fireworks operators. Certification is achieved by passing a written examination administered and approved by SFM and by documenting experience. Certified operators must submit a report to SFM identifying the certified operator and any assistants, general display information, and any property damage, injuries and product defects.

Activity at a Glance

- Fire arson investigators were called to 339 fire scenes in 2005, accounting for a total property loss of $59 million; 126 of these were determined to be arson and accounted for $9.5 million of the total property loss.
- SFM inspection teams completed 3,063 inspections in 2005. These inspections found 10,045 state and 1,847 federal (health care) violations.
- There were 40 fire deaths in 2005, 29 (73%) were in residential dwellings. Careless smoking was the leading cause of death by fire.
- Total fire dollar loss in 2005 was $160 million. $96 million was in residential property.

Historical Perspective

The SFM Division was created through legislation in 1905. In 1913 a funding mechanism was deemed necessary and the State Fire Marshal Tax was implemented. Insurance companies paid ½ of 1% of property insurance premiums written in the state. In 1981 that revenue was directed to the General Fund which funded division activities up to the present time. Beginning in FY 2008 division activities previously funded by the General Fund

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	2,664	3,043	0	0	0
Misc Special Revenue	0	0	2,866	2,943	5,809
Statutory Appropriations					
General	19	92	92	92	184
Misc Special Revenue	1,353	1,574	1,619	1,619	3,238
Federal	43	80	6	6	12
Total	**4,079**	**4,789**	**4,583**	**4,660**	**9,243**
Expenditures by Category					
Total Compensation	3,284	3,781	3,715	3,792	7,507
Other Operating Expenses	795	1,008	868	868	1,736
Total	**4,079**	**4,789**	**4,583**	**4,660**	**9,243**
Full-Time Equivalents (FTE)	**44.6**	**47.9**	**48.3**	**48.4**	

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Activity Description

A Fire Safety Account is used to deposit the revenue received from the Fire Safety Surcharge collected from insurance companies, and to distribute those funds to the programs and entities authorized to receive those funds upon the recommendation of the Fire Service Advisory Committee and with the approval of the Commissioner of Public Safety.

Activity at a Glance

- Number of firefighters trained
- Number of fire service-related regional response teams established
- Number of additional inspections and investigations completed by new State Fire Marshall Division staff.

(Account established 7/1/07, no activity in 06/07 biennium)

Population Served

Indirectly, all citizens in Minnesota are served by this account, through the improvement in services provided by the fire services entities that will receive funding from this account.

Services Provided

This account provides funding for firefighter training through the Firefighter Training and Education Board, for staffing and operations of the State Fire Marshal Division, and for other regional fire service related programs and services.

Historical Perspective

The Fire Safety Account was extablished by the 2006 Legislature, which also removed a tax on insurance premiums. The insurance premium tax was originally established to fund the State Fire Marshal's Office when that office was created in 1905. In the 1980's the tax was redirected to the General Fund.

Key Measures

This new account, which is established as of 7/1/07, will be measured by the following:

- number of firefighters trained, number of training hours provided;
- number of new staff and the resultant improvement of programs and services provided by the State Fire Marshal Division;
- number of new regional response teams established.

Activity Funding

Funding for this activity is provided solely by the insurance surcharge established in M.S. 299F.012.

Contact

The Commissioner of Public Safety can be contacted for additional information on this activity, at 651-201-7160.

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Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
Misc Special Revenue	0	0	3,330	6,300	9,630
Total	**0**	**0**	**3,330**	**6,300**	**9,630**
Expenditures by Category					
Local Assistance	0	0	3,330	6,300	9,630
Total	**0**	**0**	**3,330**	**6,300**	**9,630**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
Special Revenue Fund				
Expenditures	3,330	1,800	1,800	1,800
Revenues	0	0	0	0
Net Fiscal Impact	3,330	1,800	1,800	1,800

Recommendation
The Governor is recommending an increase in the appropriation from the fire safety account in the Special Revenue Fund by $3,330,000 in FY 2008 and $1,800,000 in FY 2009 to fund the MN Board of Firefighter Training and Education; additional funding for the State Fire Marshal; and for fire-related regional response team programs and other fire service programs with statewide impact.

Background
The Fire Safety Account was established during the 2006 legislative session to fund the programs identified above. The Fire Safety Account is used to deposit the revenue received from the Fire Safety Surcharge collected from insurance companies, and to distribute those funds to the programs and entities authorized to receive those funds upon the recommendation of the Fire Service Advisory Committee and with the approval of the Commissioner of Public Safety.

Relationship to Base Budget
The base funding for this program from the Fire Safety Account in the Special Revenue Fund is $2,832,000 for each year of the 2008-09 biennium. An estimated $7.4M in FY 2008 and $11.6M in FY 2009 will be collected from surcharges on fire safety premiums as provided in 2006 Minn. Stat. 297I.06.

Of the collections, $468,000 in FY 2008 and $2,268,000 in FY 2009 must be transferred to the General Fund to offset the loss revenue from the repeal of the one-half of one percent tax on fire insurance premiums.

The base budget included an estimated $4,500,000 in FY 2009 and beyond for this purpose so this change item would increase expenditures from the fire safety account for the three authorized purposes to a total of $3,300,000 in FY2008 and $6,300,000 in FY 2009 and beyond.

Key Measures
This new account, which is established as of 7/1/07, will be measured by the following statistics:

- Number of firefighters trained and number of training hours provided using “approved” instructors and curriculum developed by the Firefighter Training & Education Board
- Number of increased fire inspections, fire investigations, plan reviews, fire code advisories, and fire safety programs provided by the State Fire Marshal Division
- Number of new regional fire service related response teams established and/or number of new programs established which have a statewide impact.

Statutory Change: Not Applicable.

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Budget Activities

⇒ Alcohol Enforcement
⇒ Gambling Enforcement

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	1,622	1,622	1,622	1,622	3,244
Subtotal - Forecast Base	1,622	1,622	1,622	1,622	3,244
Governor's Recommendations					
Compensation Adjustments		0	13	42	55
Total	**1,622**	**1,622**	**1,635**	**1,664**	**3,299**
Misc Special Revenue					
Current Appropriation	150	150	150	150	300
Subtotal - Forecast Base	150	150	150	150	300
Governor's Recommendations					
Compensation Adjustments		0	0	3	3
Total	**150**	**150**	**150**	**153**	**303**
Expenditures by Fund					
Direct Appropriations					
General	1,599	1,733	1,635	1,664	3,299
Misc Special Revenue	146	151	150	153	303
Statutory Appropriations					
General	36	236	81	81	162
Misc Special Revenue	537	843	702	717	1,419
Federal	192	225	192	192	384
Total	**2,510**	**3,188**	**2,760**	**2,807**	**5,567**
Expenditures by Category					
Total Compensation	1,865	1,969	1,961	2,014	3,975
Other Operating Expenses	552	1,096	707	701	1,408
Local Assistance	85	123	92	92	184
Other Financial Transactions	8	0	0	0	0
Total	**2,510**	**3,188**	**2,760**	**2,807**	**5,567**
Expenditures by Activity					
Gambling Enforcement	1,741	2,344	1,974	2,008	3,982
Alcohol Enforcement	769	844	786	799	1,585
Total	**2,510**	**3,188**	**2,760**	**2,807**	**5,567**
Full-Time Equivalents (FTE)	**25.1**	**24.1**	**24.9**	**24.5**	

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Activity Description

The Alcohol Enforcement Division maintains the integrity of the liquor industry by enforcing legislation impacting three general areas:

- manufacturers and importers;
- wholesalers; and
- retailers through licensing, enforcement, and regulation.

This structure of legislation is referred to as a three-tier system of enforcement and is consistent among all 50 states.

Population Served

Clientele includes the entire liquor industry and their associations, Minnesota citizens, alcohol consumers, local units of government, law enforcement agencies, the insurance industry, and the legal community.

Services Provided

The Alcohol Enforcement Division provides uniform direction and response to local units of government regarding regulation of the alcohol industry.

Activity at a Glance

- Provides consistent, prompt customer service to approximately 14,000 liquor licensees, 853 cities, and 87 county officials.
- Administers underage alcohol grant program where 2,376 underage compliance checks were conducted in 2005 in 60 municipalities with a 90% compliance rate. 859 arrests were also made in 2005 utilizing alternative underage alcohol enforcement techniques. Alcohol and Gambling Enforcement Division (AGED) underage alcohol liaison conducted training and informational seminars for 2,000 individuals at 70 locations in 2005.
- Implementation and ongoing development of AGED's online license, permit and brand label renewal process for AGED alcohol beverage industry.

Alcohol Enforcement is a collaboration of efforts, which results in criminal prosecution as well as civil penalty impositions for violations of M.S. 340A. Staff investigators conduct criminal investigations of alcohol-related complaints regarding unlicensed sale, importation, and manufacture of alcoholic beverages, unregistered product introduction into the state, and illegal gambling on liquor-licensed premises. Alcohol Inspectors conduct civil investigations into trade practice violations, after hour sales, failure to register kegs sold at off-sale, illegal alcohol promotion and advertising, delinquent licensees buying alcohol from illegal sources, thereby violating Minnesota's three-tier structure. Alcohol enforcement agents also investigate reports of contaminated alcohol beverages unfit for human consumption as the result of fires, floods, or other exposure and conducts pre-license inspections of establishments in order to determine if the establishment qualifies for a license to sell liquor. In 2005, alcohol investigators worked 2,204 hours in response to 1,025 alcohol related complaints and industry inquiries. 39 cases resulted in $13,950 in administrative penalties being imposed. Alcohol agents traveled 90,589 miles conducting state business related to alcohol enforcement.

Alcohol Enforcement in coordination with the Office of Traffic Safety, participates in an ongoing grant program through the federal Office of Juvenile Justice and Delinquency Prevention to reduce the incidence of underage sale of alcohol at licensed liquor establishments and through adult providers. Local law enforcement agency resources are utilized and compensated for enforcing Minnesota's underage drinking laws by conducting compliance checks at licensed liquor establishments and applying alternative techniques to reduce the incidence of adult providers of alcoholic beverages to underage persons. Alternative enforcement activities include arresting adult providers, campus party patrols, community festival compliance checks, and extra enforcement presence at events such as graduation, prom and homecoming celebrations.

Alcohol Enforcement is constantly being challenged to be proactive and to address ongoing issues relating to alcohol distribution and sale (such as adult providers of alcohol to underage persons) and e-commerce alcohol issues.

The division also provides education to Minnesota's law enforcement community with Peace Officer Standards and Training certified alcohol courses. Educational seminars are conducted for Minnesota's liquor licensing authorities regarding alcohol licensing procedures and requirements and alcohol beverage laws and regulations. Educational sessions are offered for community members regarding underage compliance checks. Demands for

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alcohol awareness training, server training, and training reference materials have increased as communities, licensees, and law enforcement departments have become more aware of their responsibilities to comply with Minnesota alcohol beverage laws and regulations.

This division collects, approves, records, verifies the accuracy, and acts as the sole state repository for over 14,000 intoxicating liquor licenses and permits, 3.2% malt liquor licenses and liquor liability insurance, and 20,000 brand labels. AGED also verifies and collects workers compensation insurance requirements and tax delinquency information as part of the licensing process. Alcohol Enforcement serves as the final regulatory approval authority in determining if licensees and establishments meet minimum legal requirements necessary to obtain licenses and permits to sell, import, and distribute alcoholic beverages in Minnesota.

Historical Perspective (optional)

To provide a safe environment for Minnesota alcohol consumers and citizens in general, the liquor industry requires consistent regulation, and equitable enforcement. In the pre-prohibition era, irresponsible business practices led to the creation of Minnesota's alcohol beverage laws. The three-tier system, which limits interaction between the groups, continues to be appropriate for today's alcohol beverage industry and exists in all 50 states as a means of promoting responsible alcohol beverage consumption, distribution, and sale.

Key Measures

⇒ The number of compliance checks conducted.
⇒ The number of arrests made involving adult providers of alcohol to underage persons.
⇒ The improved failure rate involving the sale of alcohol to minors at licensed establishments

The collaboration with the federal Office of Juvenile Justice and Delinquency Prevention as well as other community coalition organizations, and a consistent plan to enforce violators through civil and criminal penalties, has reduced the incidence of licensed liquor establishments selling alcohol to underage individuals. In 1999, the failure rate was 17% relating to underage compliance checks conducted under the federal program. In 2005 the failure rate was 10%, and additionally alternative enforcement techniques resulted in 859 arrests related to underage alcohol consumption and sales. The AGED underage alcohol liaison travels to participating communities and provides alcohol awareness training to licensed liquor establishments, local law enforcement departments, and other community officials prior to compliance checks and alternative enforcement activities. Communities participating are awarded up to $5,000 for conducting compliance checks or participating in activities designed to prevent provision of alcohol by adults to underage persons. They are required to provide the statistics regarding the compliance checks and illegal adult provider activity, and any civil or criminal action taken by the local licensing authority. Liquor licensees that fail the underage compliance checks must be charged civilly. Local law enforcement departments are expected to seek criminal charges of adult providers.

Activity Funding

This activity is funded by a mix of General Fund appropriations and federal funds.

Contact

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	431	465	441	451	892
Misc Special Revenue	146	151	150	153	303
Statutory Appropriations					
Misc Special Revenue	0	3	3	3	6
Federal	192	225	192	192	384
Total	**769**	**844**	**786**	**799**	**1,585**
Expenditures by Category					
Total Compensation	528	551	553	569	1,122
Other Operating Expenses	156	170	141	138	279
Local Assistance	85	123	92	92	184
Total	**769**	**844**	**786**	**799**	**1,585**
Full-Time Equivalents (FTE)	**9.0**	**9.0**	**9.1**	**8.9**	

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Activity Description

The Gambling Enforcement Division conducts background investigations and criminal investigations relating to lawful gambling, the Minnesota Lottery, pari-mutuel horse racing, and tribal reservation gambling. Additionally, Gambling Enforcement enforces laws relating to illegal gambling such as sports bookmaking and other illegal gambling activities.

Activity at a Glance

- 20,490 background check requests processed in FY 2005.
- 5,115 background check fingerprint submissions processed in FY 2005.
- 259 criminal gambling incidents were reported in FY 2005.
- 134 civil gambling incidents were reported in FY 2005.

Developing online license renewal process for manufacturers and distributors of gambling devices

Population Served

Clientele includes the entire gambling industry and their associations, Minnesota citizens, tribal governments, the Minnesota Racing Commission, Minnesota State Lottery, Gambling Control Board, and local and federal law enforcement agencies.

Services Provided

The Gambling Enforcement Division provides the following services:

- civil and criminal investigative services for lawful, regulated gambling in Minnesota and investigates illegal gambling activities and complaints;
- regulation of the state's legal gambling, tribal gaming and investigation of other gambling-related crimes;
- background investigations and checks on licensees and contractors;
- approval and issuance of gambling distributor and manufacturing licenses;
- testimony in civil and criminal matters;
- collaboration with local law enforcement and prosecutors relating to gambling issues;
- response to public inquiry;
- collaboration with worldwide regulators;
- employee and industry training related to timely and relevant gaming issues; and
- management of proceeds from forfeitures involving illegal gambling devices and prizes.

Historical Perspective (optional)

The Minnesota Legislature, in establishing a gambling enforcement division in 1989, realized that a specific agency needed to be created for the regulation and enforcement of gambling statutes. Other enforcement agencies, for a variety of reasons, were unable to perform those functions. The legislature was concerned that the gambling industry would not be adequately policed.

Key Measures

⇒ **The number of background checks conducted.** Annually, the Gambling Enforcement Division conducts approximately 20,490 background history checks on individuals involved in the gaming industry in Minnesota.

⇒ **The number of civil and criminal incidents reported.** Of the incidents reported to the Gambling Enforcement Division in FY 2005, 259 were criminal and 134 were civil.

Activity Funding

This activity is funded by a mix of General Fund appropriations and Special Revenue Funds. The source of revenues in Special Revenue Fund accounts are from Indian Nation Compacts, criminal background check fees and gambling forfeitures.

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Contact
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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	1,168	1,268	1,194	1,213	2,407
Statutory Appropriations					
General	36	236	81	81	162
Misc Special Revenue	537	840	699	714	1,413
Total	**1,741**	**2,344**	**1,974**	**2,008**	**3,982**
Expenditures by Category					
Total Compensation	1,337	1,418	1,408	1,445	2,853
Other Operating Expenses	396	926	566	563	1,129
Other Financial Transactions	8	0	0	0	0
Total	**1,741**	**2,344**	**1,974**	**2,008**	**3,982**
Full-Time Equivalents (FTE)	**16.1**	**15.1**	**15.8**	**15.6**	

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Budget Activities

⇒ Battered Women / Shelter Service
⇒ Crime Victims Assistance Grants
⇒ Crime Victims Reparations
⇒ Law Enforcement and Community Grants

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	34,617	37,363	37,363	37,363	74,726
Technical Adjustments					
One-time Appropriations			(3,113)	(3,113)	(6,226)
Subtotal - Forecast Base	34,617	37,363	34,250	34,250	68,500
Governor's Recommendations					
Crime Victim Reparations		0	250	250	500
Gang and Drug Task Force		0	600	1,900	2,500
School Safety Centers		0	200	200	400
Victim Notification System		0	455	455	910
Compensation Adjustments		0	15	37	52
Total	**34,617**	**37,363**	**35,770**	**37,092**	**72,862**
Expenditures by Fund					
Direct Appropriations					
General	34,226	37,949	35,770	37,092	72,862
Statutory Appropriations					
State Government Spec Revenue	96	96	0	0	0
Misc Special Revenue	3,647	3,860	1,094	1,094	2,188
Federal	24,724	33,529	19,297	19,224	38,521
Total	**62,693**	**75,434**	**56,161**	**57,410**	**113,571**
Expenditures by Category					
Total Compensation	2,788	3,867	3,250	3,294	6,544
Other Operating Expenses	5,754	5,689	5,249	5,230	10,479
Local Assistance	54,009	65,878	47,662	48,886	96,548
Other Financial Transactions	142	0	0	0	0
Total	**62,693**	**75,434**	**56,161**	**57,410**	**113,571**
Expenditures by Activity					
Crime Victims Reparations	5,564	5,022	5,192	5,200	10,392
Crime Victim Assistance Grants	11,499	15,705	12,429	12,442	24,871
Battered Women/Shelter Service	22,511	23,785	22,217	22,217	44,434
Law Enforcement & Comm. Grts.	23,119	30,922	16,323	17,551	33,874
Total	**62,693**	**75,434**	**56,161**	**57,410**	**113,571**
Full-Time Equivalents (FTE)	**42.1**	**44.2**	**44.5**	**44.1**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$250	$250	$250	$250
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$250	$250	$250	$250

Recommendation

The Governor recommends an increase of $250,000 per year for the Crime Victims Reparations Board to meet the current needs of victims of violent crime in Minnesota. This change is necessary due to increases in violent crime, as well as the rapid rise in costs of medical care and other expenses incurred by crime victims. This change will allow the Board to continue providing sufficient reparations benefits to ease the financial burden of crime on victims and their families.

Background

The mission of the Crime Victims Reparations Board is to assist victims and their family members by providing compensation for out-of-pocket losses incurred as a result of a violent crime. Over 30,000 victims have applied for assistance during the Board's 32 years of operations. During the past decade, applications for assistance from the Board has expanded due to factors such as increasing levels of violent crime, and increases in the cost of medical care and other expenses.

The social trends which are currently driving up the cost of the Board's operations include:

⇒ According to the 2005 Minnesota Crime Information Report, violent crimes such as murder, sexual assault, robbery and aggravated assault increased by 11.5%. As a result, there are more victims of violent crime who are seeking financial assistance for services such as medical care and mental health treatment.

⇒ According to the Minnesota Department of Health, health care costs have been increasing rapidly since 2001. In addition, for those enrolled in health insurance programs, out-of-pocket costs have increased in recent years. The increasing costs of medical care, dental care, mental health care, funeral and burial services, and other products and services have placed an additional economic burden on victims of crime.

As a result of these trends, the number of claims that the Board receives annually has increased significantly during the past decade. During fiscal year 2006, the Board received over 1,750 claims, compared with only 1,161 claims in fiscal year 1996. In addition, the cost of paying victims' expenses has steadily increased. For example, the cost of medical expenses for reparations claimants has doubled during the past ten years. During fiscal year 2006, the Board spent $1,701,627 on medical expenses, compared to only $873,000 in fiscal year 1996. Other expenses such as funeral services, lost wages, and reimbursement for loss of support for dependents of homicide victims have also increased due to the large number of homicides in recent years.

Despite the increase in claims and expenses, the Board's General Fund appropriation has not been increased in over ten years. While other sources of special revenue funds such as restitution have been used effectively to support the program, the total amounts collected have been insufficient to keep pace with the increased rate of expenditures.

This proposal will allow the Reparations Board to continue providing sufficient financial help to crime victims and their families to reduce the impact of violent crime. This initiative is essential to helping victims recover from the trauma of victimization as quickly as possible and to minimize problems resulting from their injury. In cases involving a death, this initiative is critical to helping families of victims with the long and difficult process of rebuilding their lives.

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The following is background information on the number of claims filed annually from fiscal year 1996 through fiscal year 2006; and the rate of expenditures annually from fiscal year 1998 through fiscal year 2006.

Minnesota Crime Victims Reparations Board, Statistical Report

Fiscal year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Number of New Claims Filed Per Year	1,161	1,510	1,340	1,218	1,309[1]	1,557[1]	1,817[1]	2,023[1]	1,658[2]	1,742	1,753
Total Awards Approved Per Year* ($ million)			$2.3	$2.5	$2.8	$2.5	$2.9	$3.6	$3.1[3]	$4.2[4]	$3.8

[1]The totals for FY 2000 through FY 2003 include applications for moving expenses. Notice the dip in claims in FY 2004. This was due to the discontinuation of moving expenses and mileage because of budget constraints.

[2]Claims decreased due to discontinuation of moving expenses and mileage.

[3]Discontinued coverage for moving expenses and mileage, and lowered medical rate to 70%

[4]The school shooting at Red Lake impacted spending in FY 2005 and FY 2006)

*Note: This chart shows the amount in millions paid out per year, which is higher than the base appropriation due to federal dollars received. For FY 2007, funeral benefits were decreased to $6,500, and the medical rate was lowered to 50% of balances remaining after application of any self-pay discounts or other reductions.

Relationship to Base Budget

Currently, the amount appropriated from the General Fund for crime victim reparations claims is $1.585 million annually. This proposal requests additional funding in the amount of $250,000 in fiscal year 2008 and $250,000 in fiscal year 2009 for reparations claims funding. This would increase the General Fund appropriation for claims to $1.835 million annually.

Key Measures

The key objectives and measures for this initiative are:

- 85% of claimants indicate they are very satisfied or satisfied with the level of benefits received; and
- Claims can be paid within an average of 90 days from the time the claim is received.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$600	$1,900	$1,900	$1,900
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$600	$1,900	$1,900	$1,900

Recommendation

The Governor recommends funding to maintain consistent support of multi-jurisdictional gang/drug task forces and the metro gang strike force. This increase will replace declining federal funding and allow for the continuation of effective multi-jurisdictional efforts to prevent, intervene and suppress gang and drug crime in Minnesota.

Background

Minnesota's drug task forces have received $2.750 million in federal Department of Justice Byrne formula Justice Assistance Grant Program (JAG) funds since 1989. The President has eliminated JAG in his budget for the last three years. While Congress has restored funding each year it has been at a significantly reduced level. Minnesota's FFY 2006 award is 63% less than the FFY 2004 award.

OJP has been able to fund this activity by using returned funds and eliminating or reducing other criminal justice programming. These options are no longer available due to decrease in funds.

These task forces have delivered measurable outcomes. In calendar year 2005, there were twenty task forces covering 59 counties that contain 88% of the states population. The gang and drug task forces have:

- disrupted drug trafficking and distribution through the arrest of 5,252 individuals;
- fought the methamphetamine crisis by arresting 2,889 individuals and seizing 126 pounds of the drug and shut down 100 labs;
- took 342 handguns out of the hands of criminals; and
- educated 46,032 individuals through 633 community presentations.

Through 9/30/06, the Metro Gang Strike Force has:

- investigated 713 cases and executed 283 search warrants;
- arrested 1,253 individuals;
- removed 76 firearms from the streets; and
- seized almost 50 pounds of crack cocaine and over 32 pounds of methamphetamine.

Relationship to Base Budget

Related state funding for this effort includes $3.002 million authorized in FY 2006 for gang efforts. In FY 2007 $800,000 was authorized for additional gang and drug officers. There is $1.3 million available in federal funds for FY 2007 and no guarantee of federal funding thereafter. $600,000 in FY 2008 is requested to augment federal funds and the existing $800,000 appropriation and $1.9 million in FY 2009 to augment the $800,000 and replace federal funds.

SFY08		SFY09	
Federal	$1,300,000	Federal	$ 0
State Appropriation	800,000	State Appropriation	800,000
Proposed	600,000	Proposed	1,900,000
	$2,700,000		$2,700,000

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Key Measures

These include:

- number of arrests;
- number of guns seized;
- number of prosecutions;
- number of community education sessions; and
- quantity of drugs and labs seized.

Statutory Change: Not applicable.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$200	$200	$200	$200
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$200	$200	$200	$200

Recommendation
The Governor recommends $200,000 per year to create an interagency school safety center to assist school districts in their violence prevention efforts. The center will develop best practice crisis plans; conduct school-wide threat assessments and help with the implementation of strategies to create and maintain safe school environments. This proposal will be a collaboration between the Department of Public Safety (DPS) and the Department of Education (MDE).

Background
Two school shooting incidents in recent years have heightened awareness of school safety issues and generated requests for assistance from school districts.

DPS, MDE, the federal Department of Education, the U.S. Secret Service and the U.S. Attorney's office co-sponsored a school safety conference in November of 2005 which produced significant requests for assistance from local school districts to help identify and/or develop strategies and resources to prevent school violence.

Staff from DPS, MDE and the Department of Health have been meeting since January of 2006 to assess the need and study effective responses. Staff have conducted surveys of school board members, principals and superintendents, police chiefs and sheriffs to determine the need for services. A review of other state and federal initiatives was completed to determine best practices in school safety. Based on feedback and research, the working group recommended an interagency effort to develop a school safety center to provide expert training and technical assistance to school districts.

Relationship to Base Budget
There is no specific funding identified in DPS' base budget for these activities.

Key Measures
⇒ Number of crisis plans reviewed and approved.
⇒ Number of training and technical assistance sessions deemed helpful by school districts.
⇒ Reduction in reported incidences of violence in schools.

Statutory Change: The 2006 legislature created an advisory task force on school and staff emergency/all hazard preparedness to consider and recommend proposals for strengthening crisis management and school safety efforts. A report to the legislature is due 2/15/2007.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$455	$455	$455	$455
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$455	$455	$455	$455

Recommendation

The Governor recommends funding for the continuation of the Victim Information and Notification Everyday (VINE) to continue to provide information and notification to victims of crime, criminal justice professionals, and the general public.

Background

Minnesota Statues require law enforcement and corrections to notify victims when the custody status of an offender is reduced. The Victim Information and Notification Everyday automated telephone service, or VINE for short, provides crime victims, criminal justice professionals and citizens up-to-date information about offenders' custody status, criminal charges, detention location and scheduled release dates. Citizens registered with the VINE system can also received automatic notifications of changes in offender custody status. This service which is offered in 38 states enhances the ability of crime victims to develop safety plans and therefore increases their peace of mind.

The Minnesota system interfaces with DOC and 65 county jail facilities. The following chart illustrates the increased usage of the VINE system in Minnesota since 2003:

Year	Registrations for Information in VINE	VINE Phone Calls for Information and Notification (including incoming and outgoing)
2003	713	16,897
2004	1,888	25,946
2005	2,512	35,992
2006	2,548 (Jan-Aug)	45,417

Originally, this system was implemented without a funding source, shortly thereafter federal Byrne funds were directed to fully implement the program. Byrne funds have been reduced by 63% since 2004.

Key Measures

⇒ Usage rates are consistently growing showing that this service is a value to victims of crime in Minnesota.

⇒ The VINE system enhances the ability of crime victims to develop safety plans thereby increasing peace of mind.

⇒ Enhanced marketing of the services to crime victims and others will provide VINE as a tool for victims, criminal justice professionals and Minnesota citizens.

Statutory Change: Not Applicable

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Activity Description

Shelter services for battered women and their children are administered by the Office of Justice Programs, Crime Victim Services. Funding is granted to programs that provide 24-hour emergency housing and support services. Providers are reimbursed for the costs of food, lodging, and security.

Activity at a Glance

- Programs receiving shelter funding in FY 2005 include:
  - ⇒ 27 emergency shelters, and
  - ⇒ 31 hotel/motel and safe homes programs.
- Approximately 5,900 women and 5,850 children received shelter services in FY 2005
- Bed days of shelter in FY 2005 totaled 207,557.

Population Served

Shelter programs are located throughout the state and serve victims of domestic abuse and their children. Of the 27 emergency shelters, 13 are located in the metropolitan area and 14 are located in greater Minnesota.

Services Provided

The Office of Justice Programs (OJP) designates shelters and safe homes. Each shelter and safe home must meet and maintain standards set by the OJP. The OJP monitors the services provided through site visits and regular contact with the programs. The amount of funding awarded to each shelter program is based on a formula using each shelter's licensed capacity and average occupancy rate during a three-year period.

Historical Perspective

The 1997 Minnesota Welfare Reform Law transferred the powers, duties and functions relating to the operation of shelters for victims of battering from the commissioner of Human Services to the commissioner of Corrections effective 7-1-99. Authority for the program has since transferred via Governor's Reorganization Orders No. 180 and No. 182 to the Department of Public Safety. Upon transfer of responsibility for per diem administration, funding for this service was changed from an entitlement program to a capped appropriation. In 2002, the Minnesota Legislature passed legislation that changes the per diem program to a grant program effective 7-1-03. Beginning in FY 2004, shelter funding previously provided through the per diem program is combined with the shelter grant program and shelters receive both sources of funding through a grant contract, which reimburses allowable expenses.

Key Measures

- ⇒ **The number of bed days of shelter provided.** The total number of bed days provided for the past four years is as follows: FY 2002 = 215,544; FY 2003 = 220,640; FY 2004 = 217,134; FY 2005 = 207,557.
- ⇒ The estimated number of bed days of shelter provided for FY 2006 and FY 2007 is 220,000 per year.

Activity Funding

This activity is funded through a combination of General Fund appropriations and federal funds.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	19,143	19,143	19,143	19,143	38,286
Statutory Appropriations					
Federal	3,368	4,642	3,074	3,074	6,148
Total	**22,511**	**23,785**	**22,217**	**22,217**	**44,434**
Expenditures by Category					
Local Assistance	22,511	23,785	22,217	22,217	44,434
Total	**22,511**	**23,785**	**22,217**	**22,217**	**44,434**

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Activity Description

State and federal grants for crime victim assistance are administered by the Minnesota Office of Justice Programs, Crime Victim Services and support the efforts of local programs to serve crime victims.

Population Served

The Office of Justice Programs (OJP) funds over 160 grantees administering 375 programs that serve victims of domestic abuse, child abuse, sexual assault and general crime. Each year, approximately 130,000 victims receive services through these programs.

Activity at a Glance

- Over 375 crime victim programs received funding in FY 2005.
- Approximately 130,000 individual crime victims received services in FY 2005.
- Approximately $15 million in state and federal funds was distributed in FY 2005 to crime victim assistance programs.

Services Provided

Programs funded for crime victim assistance provide a variety of services including: crisis intervention, counseling, support groups, advocacy for victims during the criminal justice process, information, referrals, transportation, reparations assistance, and child care assistance. The role of OJP is to administer funding as well as provide monitoring, evaluation, training, and technical assistance to grantees. OJP also awards Violence Against Women Act (VAWA) funds for special projects to increase and improve access to the criminal justice system for victims of domestic violence, sexual assault and stalking.

Historical Perspective

Minnesota has a rich history of providing services to crime victims beginning in the 1970s. Community-based services for sexual assault victims and battered women began in 1970 and 1971, respectively, and services for general crime and child abuse victims followed in the late 1970s and into the 1980s. In FY 2005, the OJP administered approximately $15 million in state and federal grant funds. Approximately 52% of the funds go to programs serving victims of domestic abuse, 22% to programs serving victims of sexual assault, 17% to programs serving victims of general crime such as homicide and drunk driving, and 9% to programs serving abused children and providing supervised visitation services. Funding from the Minnesota Legislature has been relatively consistent up through FY 2001. Funding was reduced by 46% overall from the FY 2001 funding level, however for FY 2006, approximately $1.3 million was restored to the base level funding.

Key Measures

⇒ Completion of 80+ site visits per year.
⇒ Provision of evaluation training available for all grantees.
⇒ Implementation of client satisfaction measurement tool for grantees providing direct services to crime victims.
⇒ Implementation and upgrade of fully-automated grants management system.

Activity Funding

This activity is funded by a mix of General Fund appropriations and federal funds.

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Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	4,492	4,998	5,034	5,047	10,081
Statutory Appropriations					
State Government Spec Revenue	96	96	0	0	0
Federal	6,911	10,611	7,395	7,395	14,790
Total	**11,499**	**15,705**	**12,429**	**12,442**	**24,871**
Expenditures by Category					
Total Compensation	781	971	934	963	1,897
Other Operating Expenses	688	942	838	822	1,660
Local Assistance	10,030	13,792	10,657	10,657	21,314
Total	**11,499**	**15,705**	**12,429**	**12,442**	**24,871**
Full-Time Equivalents (FTE)	**11.7**	**12.8**	**12.3**	**12.3**	

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Activity Description

The Crime Victims Reparations Program provides financial assistance to victims of violent crime. These victims suffer severe economic hardships as a result of their victimization. This program helps to lessen the impact of violent crime on victims and their family members. M.S. 611A.51-611A.67 governs this program.

Activity at a Glance

- 1,800 individuals file claims for reimbursement each year.
- $3.8 million in claims was paid out in FY 2006.

Population Served

Victims, and family members of victims, who have experienced a financial loss as a result of a violent crime are eligible to apply for reparations. Service providers may also receive reimbursement.

Services Provided

The Reparations Board makes reimbursement payments directly to victims, their families and service providers for expenses not covered by other sources. Reimbursement is provided for crime-related expenses such as medical and dental care, mental health counseling, lost wages, funeral expenses, loss of support for dependents, and childcare. A five-member board, whose membership is defined in statute, oversees the operation of the program and meets monthly to review claims. The program has a fund recovery staff that focuses their efforts on the collection of restitution and civil awards. Revenue is received from offenders ordered to pay restitution to the Crime Victims Reparations Program as part of their criminal sentence. Other funds are collected by asserting the state's subrogation rights to a portion of the proceeds of lawsuits filed by victims against offenders or other negligent parties.

Historical Perspective

The Reparations Board was created by the legislature in 1974. Since that time, over 30,000 victims of violent crime have applied for assistance. The program also provides training to service providers throughout the state to make sure that crime victims in every region receive information about the reparations program.

Key Measures

⇒ **The number of days it takes to process claims.** The reparations program would like to further reduce the processing time from the current average of 125 days to the national standard of 90 days.

Activity Funding

This activity is funded by a mix of General Fund appropriations, Special Revenue Funds, and federal funds. The sources of the Special Revenue Funds include unclaimed restitution payments held by the courts, court-ordered restitution payments and contributions from inmates' wages, and subrogation collections.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	2,472	2,528	2,757	2,765	5,522
Statutory Appropriations					
Misc Special Revenue	1,812	1,272	1,094	1,094	2,188
Federal	1,280	1,222	1,341	1,341	2,682
Total	**5,564**	**5,022**	**5,192**	**5,200**	**10,392**
Expenditures by Category					
Total Compensation	837	927	930	946	1,876
Other Operating Expenses	4,580	3,999	4,095	4,087	8,182
Local Assistance	147	96	167	167	334
Total	**5,564**	**5,022**	**5,192**	**5,200**	**10,392**
Full-Time Equivalents (FTE)	**13.8**	**13.6**	**13.5**	**13.5**	

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Activity Description

The Office of Justice Programs (OJP), Justice and Community Grants section, administers the law enforcement and community grants including the Juvenile Justice Program. The Statistical Analysis Center (SAC) is also part of this team. The SAC (one full time employee) provides criminal and juvenile justice information, conducts research and develops reports on a variety of criminal justice topics.

Activity at a Glance

- Administered over 360 grants in FY 2006.
- Administered $7 million in FY 2006 in state funds.
- Administered $12 million in FY 2006 in federal funds.

Population Served

OJP staff work with state and local units of government, as well as public and nonprofit agencies and community organizations throughout the state of Minnesota.

Services Provided

Grants are distributed to over 300 state, tribal and local units of government and public and private nonprofit agencies for a broad array of programming designed to prevent and/or reduce crime and juvenile delinquency, increase community livability and improve the criminal justice system. Staff provide grant administration services to these entities including: fiscal, administrative and program performance monitoring, training, and technical assistance.

Key Measures

Given the broad array of programming these grants are used for, staff and grantees work together to develop performance indicators specific to each program. The indicators include output measures such as the number of persons served, number of services provided, and amount of drugs seized. They also include outcome measures such as reduced truancy and delinquency, improved sense of safety, reduced police contacts, reduced recidivism, and reduced time from arrest to case disposition. OJP has the following key measures specifically related to the administration of the grants:

⇒ **The amount of contact with grantees.** Each year staff conducts at least one site visit with 80% of the grantees and quarterly desk audits and regular e-mail and phone contact with 100% of the grantees. The purpose of these activities is to ensure compliance and provide technical assistance.

⇒ **The amount of training and technical assistance provided to grantees.** Each year staff provides six training and technical assistance workshops for grantees.

Activity Funding

This program is funded by a mix of General Fund appropriations, Special Revenue Fund accounts and federal funds. The source of the Special Revenue Funds is the Annie B. Casey Foundation for Juvenile Detention Reform.

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Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	8,119	11,280	8,836	10,137	18,973
Statutory Appropriations					
Misc Special Revenue	1,835	2,588	0	0	0
Federal	13,165	17,054	7,487	7,414	14,901
Total	**23,119**	**30,922**	**16,323**	**17,551**	**33,874**
Expenditures by Category					
Total Compensation	1,170	1,969	1,386	1,385	2,771
Other Operating Expenses	486	748	316	321	637
Local Assistance	21,321	28,205	14,621	15,845	30,466
Other Financial Transactions	142	0	0	0	0
Total	**23,119**	**30,922**	**16,323**	**17,551**	**33,874**
Full-Time Equivalents (FTE)	**16.6**	**17.8**	**18.7**	**18.3**	

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Program Description

This program includes the Statewide 911 Emergency Services activity as well as the ARMER (Allied Radio Matrix for Emergency Response) activity, a statewide integrated public safety radio and communication system. Each of these activities is described below.

ARMER/911 Activity Description

Minnesota Statewide 9-1-1 Emergency Services/ARMER oversees: 1) 9-1-1 system standards; 2) provides technical assistance to cities and counties to implement, maintain, and improve 9-1-1 systems; 3) manages the state's share of contracted wired and wireless 9-1-1 costs authorized by M.S. 403.11; 4) distributes funds to help pay for 9-1-1 Public Safety Answering Point (PSAP) improvements in accordance with M.S. 403.113; 5) distributes funds for the shared public safety radio system in accordance with M.S. 403.27, 403.275 and appropriation; and 6) coordinates the governance of the statewide public safety radio system (ARMER) through Statewide Radio Board and oversees implementation of the ARMER project under an agreement with the Department of Transportation.

Program at a Glance

The following activity statistics help illustrate the size and scope of the Minnesota Statewide 9-1-1 Program:

- 100% statewide 9-1-1 coverage;
- Enhanced wireless 9-1-1 coverage from most wireless carriers in Minnesota; and
- 9-1-1 calls are answered at 106 local PSAPs and 10 regional State Patrol PSAPs.
- Full implementation of local enhancements to the ARMER backbone in the seven county metropolitan area planned for 2007 and 2008.
- Implementation of ARMER backbone in Phase Three (23 counties outside the metropolitan area) underway with local enhancements completed in two counties.

Population Served

The universal emergency 9-1-1 number is available throughout the state of Minnesota, including border exchanges where callers are served by telephone exchanges from an adjoining state. Enhanced 9-1-1, with Automatic Location Identification (specific location of landline callers), covers virtually all of the Minnesota population. For wireless telephones, FCC rules (Title 47, CFR 20.18) require the wireless carriers to put all 9-1-1 calls through to a PSAP, even if the cellular caller is a non-subscriber. FCC required Phase I Enhanced Wireless 9-1-1 service (general location and callback number of the cellular 9-1-1 caller) and Phase II service (caller's location in latitude and longitude) are also available to virtually all of Minnesota.

With the implementation of Phase Three of the ARMER system the backbone will provide basic public safety communication in 32 of 87 counties. The backbone provides interoperable communication coverage for approximately 85% of the state's population. In addition to local implementation in Olmsted and Stearns County, four additional counties in Phase Three are in the initial stages of planning local enhancements to replace their existing legacy communication systems.

Services Provided

For budget purposes 9-1-1 costs can be viewed as several related activities required by M.S. Chapter 403:

About 40% of the costs are to pay 9-1-1 network, database, and wireless charges:

⇒ 9-1-1 Network and Database Costs – The recurring costs of delivering 9-1-1 calls, with the associated location information, to PSAPs operated by county and other government agencies.

⇒ Wireless Enhanced 9-1-1 Costs – The installation and recurring costs for integrating wireless 9-1-1 calls into the Enhanced 9-1-1 networks for Phase I service. Funding for Phase II service is not covered in existing statutes.

⇒ Part of the Department of Public Safety PSAP operating costs – These costs cover Minnesota State Patrol expenses for handling 9-1-1 emergency calls made from cellular phones.

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About 20% of the costs are to fund grants to Public Safety Answering Points and the Minnesota Emergency Medical Services Regulatory Board:

⇒ Enhanced 9-1-1 Grant Costs – Grants to county and other government agencies operating public safety answering points to implement, improve, and maintain 9-1-1 systems based upon M.S. 403.113 and appropriated amounts.

⇒ MRCC Grant Costs – Grants to the Metro East and Metro West Medical Resource Communication Centers was authorized in 2005. The grants are administered by the Emergency Medical Services Regulatory Board as provided in the appropriation.

About 20% of the costs are to fund costs related to the ARMER program:

⇒ Statewide Public Safety Radio 911 Revenue Bonds – A portion of the 911 fee is used to fund the 911 revenue bonds used to fund capital costs of the ARMER program.

⇒ Other ARMER program expenses – A portion of the 911 fee is allocated to the Statewide Radio Board for costs related to implementing the ARMER program

About 1.5% of the costs fund salaries for five full-time equivalent positions and administrative expenses.

All Incumbent Local Exchange Carriers (ILECs) and existing wireless carriers are integrated into the 9-1-1 systems. The competitive local exchange carriers, new wireless carriers emerging Voice over Internet Protocol (VoIP) telecommunication technologies require connections to 9-1-1 networks as their networks expand and mature. Work continues to provide and maintain wireless Phase II Enhanced 9-1-1 from all wireless carriers to all 87 counties.

Key Measures

⇒ 911 - Phase I Enhanced Wireless 9-1-1 service is available from all 13 wireless carriers among all 87 counties in Minnesota.

⇒ 911 - The number of PSAPs have declined from 119 to 116 with the consolidation of three PSAPs in the metropolitan area. Additional consolidation in Ramsey County and Dakota County will deduce that number to 110 PSAPs statewide.

⇒ 911 - One hundred thirteen PSAPs (including 10 State Patrol PSAPs) have attained tandem selective router Enhanced 9-1-1 with Automatic Location Identification (ALI), where 9-1-1 calls are sent to PSAPs by a selective router switch, and the location of the caller is determined from a remote database that is automatically updated based on telephone subscriber records. Two of the remaining three PSAP's operating with Local Location Identification (LLI) are in the process of changing and the remaining PSAP has initiated their planning process.

⇒ ARMER - Two additional counties (Ramsey and Dakota) are in the final stages of implementation of local enhancements to the ARMER backbone in the metropolitan area and two others (Scott and Washington) have committed to implementation in 2008 which will complete the implementation in the seven county metropolitan area.

⇒ ARMER - Phase Three implementation of the ARMER backbone is underway with two counties (Olmsted and Stearns) having implemented local infrastructures prior to the Phase Three implementation.

Activity Funding

This activity is funded though a subscriber fee in the state government Special Revenue Fund. Funds are collected through a monthly statewide subscriber fee that is not less than eight cents nor more than 65 cents per month on each customer access line, including cellular and other non-wire access services. The commissioner of Public Safety sets the amount of the subscriber fee (currently 65 cents) with the approval of the commissioner of Finance.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	44,368	44,635	41,571	41,571	83,142
Subtotal - Forecast Base	44,368	44,635	41,571	41,571	83,142
Governor's Recommendations					
ARMER System Implement & Upgrades		0	14,110	8,814	22,924
Total	**44,368**	**44,635**	**55,681**	**50,385**	**106,066**
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	31,908	34,231	55,681	50,385	106,066
Statutory Appropriations					
Federal	245	205	0	0	0
Total	**32,153**	**34,436**	**55,681**	**50,385**	**106,066**
Expenditures by Category					
Total Compensation	389	484	836	836	1,672
Other Operating Expenses	18,579	19,252	25,691	18,441	44,132
Local Assistance	13,185	14,700	17,802	14,052	31,854
Transfers	0	0	11,352	17,056	28,408
Total	**32,153**	**34,436**	**55,681**	**50,385**	**106,066**
Expenditures by Activity					
911 Emergency Services	32,153	34,436	55,681	50,385	106,066
Total	**32,153**	**34,436**	**55,681**	**50,385**	**106,066**
Full-Time Equivalents (FTE)	**5.2**	**6.0**	**9.0**	**9.0**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
911 Fund				
Expenditures	14,110	8,814	16,468	22,172
Revenues	0	7,119	14,114	21,010
Net Fiscal Impact	$14,110	$1,695	$2,354	$1,162

Recommendation

The Governor recommends that the state move forward to implement the statewide interoperable public safety communication system (ARMER). This recommendation includes the following elements:

- ⇒ $1.16 million per year from the 911 fund to the Department of Transportation for operating ARMER in the metropolitan area. This funding would replace the same amount of Trunk Highway appropriations.
- ⇒ $1.95 million per year from the 911 fund to the Department of Transportation to operate phase three of ARMER now under construction in the St Cloud and Rochester State Patrol Districts. An additional $1.95 million from the 911 fund is recommended for FY 2010 and beyond to operate one additional phase of ARMER.
- ⇒ One-time appropriation to the Department of Public Safety in FY 2008 from the 911 fund of $5.4 million to upgrade phase one of the ARMER system to the version 7.x platform in the metro area.
- ⇒ One-time appropriation to the Department of Public Safety of $1.85 million to complete detailed design and planning of the remaining phases of the ARMER system. In addition, a one-time appropriation of $3.75 million from the 911 fund to the Department of Public Safety for use by Mn/DOT for site acquisition and site development work for the future phases while the final design is completed to ensure the project can be completed in a timely manner.
- ⇒ Authority to change the 911 fee from its current 65 cents per month to no more than 75 cents in FY 2009, 85 cents in FY 2010, and 95 cents in FY 2011. Authority for the commissioner of finance to sell 911 revenue bonds to pay the capital costs of completing the ARMER system. The current assumed cost of completing the statewide backbone is $62 million for each of the three phases for a total of $186 million. The fee increases are intended to pay debt service on the bonds. The fee increase and bonding authority would be conditional on completion of the full design for the project, and a finding that the final cost estimate can be financed with the revenue from the up-to 30 cents fee increase. The appropriations recommended assume that a 10 cent fee increase takes place in each of FY 2009, 2010 and 2011, that $62 million of bonds are authorized in each of those three years, and that debt service appropriations to the Department of Finance from the 911 fund of $5.704 million each year are made for each of the three assumed issues.

Background

Planning for the implementation of the statewide interoperable public safety communication system began in 1995. Phase one was built in 2001. The statewide interoperable public safety communication system utilizes trunking technology which is largely computer based to make efficient use of the radio spectrum. As an automated system the periodic costs to maintain and operate the system are significant in comparison to legacy communication systems. The more efficient use of spectrum has been mandated by the FCC and is necessary to assure adequate interoperable communication now and in the future. In the metropolitan area a portion of the system backbone operating costs were assessed against users for the first time in 2005 under a formula imposed by the regional radio board. This has resulted in annual costs on top of local operating costs and equipment costs for a number of users, including the Emergency Medical Service providers. As the ARMER system is expanded into Greater Minnesota charging system users for backbone operating costs can be a disincentive to participation. This proposal will use 911 funds to pay for the cost of operating the state backbone in the metropolitan area and in phase three, and assumes that the same source will be used for the remaining phases. This recommendation eliminates the state user fee for operation upon the basic system backbone in the metropolitan area and in Greater Minnesota and is made to further the state's objective to promote broad interoperability through the adoption of a common infrastructure.

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As indicated phase one was built in 2001. The computer based operating system for the network was implemented upon the 6.x platform version. The platform version refers to the basic operating system upon which the trunked communication system operates. Changes in the operating system are driven by computer hardware changes and technical changes that are part of all automated systems. Five years have elapsed between the implementation of phase one and phase three with the result that seamless interoperability can not be achieved between the two operating systems. Upgrading phase one will extend the lifecycle of the network and restore the ARMER system to a level of interoperability consistent with the original design and requirements and allow for the continued expansion of the system on a common platform.

Similarly, the implementation of phase three has demonstrated that considerable detail design work on the original conceptual plan is necessary and that substantial site development work must be done to provide for implementation. Most sources will indicate site development work should be initiated at least one year prior to system implementation. In addition to this preliminary detail design work there is now a potential to integrate voice and data into the common infrastructure to provide greater utility to public safety officials outside the metropolitan area. Similarly, the transition of the 911 network and the state's need to enhance connectivity between public safety facilities might be considered as part of the detail design of the microwave infrastructure.

Phase one of the statewide interoperable public safety communication system in the metropolitan area was funded from the trunk highway fund, general obligation bonds, 911 revenue bonds and other 911 fees allocated to the implementation. Phase three in 23 counties of Greater Minnesota is being funded with 911 fee revenue bonds based upon an annual appropriation of 911 revenue to the commissioner of finance to pay debt service. $35 million in 911 revenue bonds were sold in November of 2006 to provide a portion of the funding of phase three and a portion of the local enhancement costs for improvements in the metro area. The proposed 10 cent increase in the 911 fee in each of FY 2009, FY 2010 and FY 2011 would provide the annual revenue necessary to pay debt service costs for three phases assumed at $62 million each in bonds necessary to complete the system backbone.

Relationship to Base Budget

The base budget at DPS would be changed by a redirection of $323,000 which is currently part of the $1.323 million base budget appropriation to the Statewide Radio Board. These funds have been used to support the payment of local users' costs in the metropolitan area that are no longer needed since the recommendation is for state 911 funds to fully pay for the backbone operating costs. These funds would be appropriated to DPS to provide resources and personnel to expand the discussion and planning of public safety communication interoperability among local and regional governments throughout the state.

New base appropriations are proposed for Mn/DOT that would support operating costs of the state backbone in the metropolitan area and in Phase three. Also recommended is additional funding starting in FY 2010 for one more phase to be operated by Mn/DOT.

The November 2006 forecast for the 911 fund shows an ending balance of $11.435 million for FY 2007, and annual surpluses of revenues over current law spending of $4-5 million per year. This recommendation proposes $11 million in one-time spending, and $3.11 million in additional appropriations per year in FY 2008-09. The 10 cent fee increases would each yield about $7 million in revenue, and debt service on each phase's bonding estimate of $62 million would be $5.7 million per year.

Key Measures

⇒ Encourage participation by local governments in the statewide interoperable public safety communication system and enhance interoperable communication by eliminating any state-imposed per radio subscriber fee to operate on the basic system backbone.

⇒ Completion of detail design of phases four, five and six of the RF and Microwave, including the following elements:

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- Design scope for state backbone and implications for local coverage;
- Review of project organizational structure and governance;
- Assessment of how voice and data can be integrated into a common network;
- Potential to use the I.P. backbone (microwave) with other similar public safety networks (911, MNET, CAD/RMS) and to provide greater reliability by utilizing microwave and fiber networks to connect public safety facilities and resources;
- Estimation of the full cost to complete the state backbone, to specified standards;
- Estimation of the cost for local subsystems;
- Potential of RFP to solicit private sector turn key operation; and
- Analysis of the financial ability of 30 cents of 911 fees to pay for debt service on the final system backbone cost estimate, together with an appropriate cost sharing of up to 50 percent for local systems.

⇒ Publish RFP's for all remaining elements of the ARMER system to assure appropriate pricing and potentially add competitive elements to the process.

⇒ Begin land acquisition and site development (tower sites) work in phases four, five and six consistent with detail design work and subsequent implementation plans as these activities should be occurring at least one year prior to implementation.

⇒ Implementation of the next phase of the ARMER system in Greater Minnesota beginning in FY 2009.

⇒ Upgrade of phase one and phase two local implementations to a common platform version consistent with the phase three implementation providing seamless interoperability throughout the ARMER system.

⇒ Improve interoperability planning with the adoption of regional and statewide tactical interoperability communication planning.

⇒ Additional participation of local governmental entities in regional interoperability planning, including formation of regional radio boards to foster local and regional planning for participation in the ARMER system.

Statutory Change: The following statutory changes would be necessary:

⇒ M.S. 403.11 to increase the statutory cap on the 911 fee from 65 cents per month to 75 cents per month in FY 2009, 85 cents per month in FY 2010 and 95 cents per month in FY 2011.

⇒ M.S. 403.31 providing for the allocation of system backbone operating costs, to eliminate the requirement for the Statewide Radio Board to allocate operating costs to the state for its operation on the system.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$610	$1,295	$1,295	$1,295
Revenues	0	0	0	0
Other Fund				
Expenditures	66	171	171	171
Revenues	0	0	0	0
Net Fiscal Impact	$676	$1,466	$1,466	$1,466

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs, and 3.25% for costs in other funds.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	3,301	3,963	3,963	3,963	7,926
Other Revenues:					
General	63	41	41	41	82
Total Non-Dedicated Receipts	**3,364**	**4,004**	**4,004**	**4,004**	**8,008**
Dedicated Receipts:					
Departmental Earnings:					
General	1,471	1,370	1,370	1,370	2,740
State Government Spec Revenue	46,230	46,931	46,738	53,393	100,131
Misc Special Revenue	3,574	3,754	11,154	15,354	26,508
Grants:					
Misc Special Revenue	1,537	1,561	1,368	1,368	2,736
Federal	96,633	107,622	40,081	38,862	78,943
Other Revenues:					
General	33	143	143	143	286
Misc Special Revenue	4,949	5,136	5,567	5,524	11,091
Federal	188	458	160	160	320
Gift	58	4	4	4	8
Total Dedicated Receipts	**154,673**	**166,979**	**106,585**	**116,178**	**222,763**
Agency Total Revenue	**158,037**	**170,983**	**110,589**	**120,182**	**230,771**

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AGENCY: Public Safety, Department of (DPS)

PROGRAM: Administration & Related Services

PROGRAM DESCRIPTION:
National Highway Traffic Safety Administration (NHTSA) grant. This program receives a small amount of grant money to pay for a portion of the financial services provided to the traffic safety program.

NHTSA Highway Safety Grants. These programs are designed to reduce the number and severity of traffic crashes that occur in Minnesota by changing driver behavior. They include funding to the communications activity for an information and public education alcohol awareness campaign.

NHTSA Highway Safety Paid Media Grant. This grant was designed to reduce the number and severity of traffic crashes that occur in Minnesota by changing driver behavior through advertising.

Homeland Security. This program provides grant monies to fund homeland security preparedness and prevention activities through external communication dealing with homeland security topics.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

PROGRAM: Homeland Security and Emergency Management

PROGRAM DESCRIPTION:
Comprehensive Environmental Response Compensation and Liability Act (CERCLA). This program supports attendance by state representatives at Federal Response Plan-related coordination and planning meetings regarding state agency response to hazardous materials incidents.

Disaster Assistance Grants. These grants are provided to the state after a presidential declaration of a major disaster. The public assistance program provides assistance to local governments, state agencies, Indian Tribes and eligible private-non-profit entities to cover 75% of emergency costs and infrastructure repair/replacement costs resulting from the disaster.

Individuals and Households Program (IHP). Following a presidential declaration of a major disaster, this program provides assistance to eligible disaster victims for serious needs and necessary expenses caused by the disaster. Other individual assistance programs are also available for disaster unemployment and crisis counseling. The federal government contribution to the IHP is 75%; the state is obligated to pay the remaining 25% share.

Emergency Management Performance Grant (EMPG). This funding supports state emergency planning, training, and exercise programs. It also supports hazard mitigation, operational readiness, and regional support, including grants to counties to support local emergency management programs.

Hazardous Materials Emergency Preparedness (HMEP). This program supports hazardous materials incident preparedness-related planning, training, and exercises, local public safety support group development, and special projects that involve hazardous materials accident/incident preparedness.

Hazard Mitigation Grant Program (HMGP). This program provides assistance to local governments, state agencies, and eligible private, non-profit entities to fund activities/projects that will reduce the impact of future disasters.

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PROGRAM: Homeland Security and Emergency Management (cont'd)

Pre-Disaster Hazard Mitigation Program. This Program provides funding to States and communities for cost-effective hazard mitigation activities that reduce injuries, deaths, and property damage.

National Oceanic and Atmospheric Administration (NOAA) Weather Radio. This program provides funding to maintain transmitter sites, located throughout the state, for NOAA weather radio broadcasts.

Homeland Security. This program provides grant monies to fund a number of homeland security preparedness and prevention activities, including: planning, equipment acquisitions, training, and exercises.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

PROGRAM: Bureau of Criminal Apprehension (BCA)

PROGRAM DESCRIPTION:
Forensic DNA Programs. The goals and objectives of these programs are to improve infrastructure and analysis capacity so that DNA samples can be processed efficiently and cost-effectively and to provide needed support to allow the lab to process backlogged DNA cases that would otherwise not be analyzed in a timely manner.

National Forensic Science Improvement Act (NFSIA). This program provides funding to the forensic science laboratory for improved efficiency and productivity of operations. This funding is available for non-DNA related casework.

Edward Byrne Justice Assistance Grant Program (JAG), Computerized Incident Based Reporting System (CIBRS). This program provides for the creation and sharing of a law enforcement incident database to be used as a tool for Minnesota law enforcement agencies to aid investigations.

Computerized Criminal History (CCH) - Byrne. This program provides for re-engineering the computerized criminal history (CCH) and Automated Fingerprint Identification System (AFIS) to support CriMNet (statewide integration) and provide additional functionality for document control, applicant E-print and identification services. The first step is the development of a concept of operations (ConOps) document and the production of a Requirements document for business and technical requirements.

Local Law Enforcement Block Grant (LLEBG). These funds are provided for use in seven purpose areas for preventing and controlling crime.

National Criminal History Improvement Program (NCHIP). This program enables States to provide accurate and useful criminal records and improve the nation's public safety by facilitating accurate and timely identification of persons who work in positions of trust with children and vulnerable adults by enhancing the quality, completeness, and accessibility of the nation's criminal history record systems.

Community Oriented Policing Services (COPS). These funds provide for the continued development of technologies and automated systems to assist state and local law enforcement agencies in investigating, responding to and preventing crime.

Marijuana Eradication. These funds are used in locating and eradicating illicit cannabis plants and in the investigation and prosecution of cases before the courts of the United States and the courts of the state of Minnesota involving controlled substances.

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PROGRAM: Criminal Apprehension (cont'd)

Homeland Security. This program provides funding used to enhance BCA's efforts to investigate and respond to terrorist incidents within the State of Minnesota. The purchase of this equipment will enhance the BCA investigative capabilities to conduct surveillance, investigate acts of terrorism, collect evidence, respond to terrorist incidents, and communicate with other federal, state and local units of government. This program provides BCA personnel with the training and equipment necessary to respond to and mitigate a Chemical, Biological, Radiological, Nuclear and Explosive (CBRNE) event or to aid in anti-terrorism actions in cooperation with the FBI, US Attorney's Office and other law enforcement agencies.

CriMNet - Congressional Earmark. These funds are to implement the statewide framework and blueprint to integrate criminal justice information.

Safe Neighborhood – Project Safe Trails. These funds are used to combat gang, drug and related violent crimes on Indian Reservations in northern Minnesota through coordinated, multi-jurisdictional and multi-agency investigations.

National Highway Traffic Safety Administration NHTSA 164 Repeat DWI Offender: Provide business analysis for an integrated, statewide DWI offender tracking system which will be a component of a statewide electronic charging service.

High Speed Digital Video Analysis of Bloodstain Patterns. High-speed digital video will be used to analyze and document the dynamics of common blood transfer events. Video clips of common blood transfer events will be compiled to be used by instructors in a bloodstain pattern course.

Evaluation of StreetLab ® Raman for Testing of Drugs. This research project proposes to ease some of the backlog problems by evaluating a portable drug identification system using laser Raman technology. The evaluation of the Raman StreetLab ® will be performed in the laboratory and in the field.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

PROGRAM: Fire Marshal

PROGRAM DESCRIPTION:
Homeland Security Preparedness Grant. This program provides assistance to purchase equipment for protecting and facilitating communication among emergency responders. This assistance will also strengthen terrorism response capabilities by providing funding for exercises, training, planning and organizational activities. The grants are awarded by the federal Department of Homeland Security through the MN Department of Public Safety's Homeland Security and Emergency Management (HSEM) Division.

Assistance to Firefighters Grant Program – Fire Prevention and Safety Grant. This program provides an awareness campaign and several educational plans to reduce fire deaths and injuries for vulnerable segments of the population. This program includes billboard campaigns, radio and television public service announcements, supporting materials for fire and safety agencies, development and dissemination of in-school curriculum, dissemination of firesetter intervention materials and supplies, and training for fire safety professionals. The grants are awarded by the Federal Department of Homeland Security, Office of Domestic Preparedness Assistance to Firefighters Grant Program, Fire Prevention and Safety Grants directly to the Minnesota State Fire Marshal Division.

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CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

PROGRAM: State Patrol

PROGRAM DESCRIPTION:
Motor Carrier Safety Assistance Program (MCSAP). This is an assistance program for state commercial vehicle enforcement activities, including roadside driver and vehicle inspections, traffic enforcement, motor carrier review audits, public safety data management, and training. The Federal Motor Carrier Safety Administration (FMCSA) may have high priority projects to target, and it allows States to compete for special supplemental research and development projects. Individual grants are requested and approved throughout the year. New Entrant Safety Assurance Program (NESAP) grant establishes requirements to improve the safety performance of new US and Canadian motor carriers. Border Grants ensure that commercial motor vehicles operating within the international border region perform in a safe manner and do not transport contraband materials. Commercial Vehicle Analysis Reporting System (CVARS) ensure that commercial motor vehicle crash data is accurate and is moved from the state to the federal office in a timely manner.

National Highway Traffic Safety Administration (NHTSA) grants. These are grants issued through the traffic safety program. It provides funding for various traffic safety programs such as Safe and Sober, Operation NightCAP, Drug Recognition Experts and target speed enforcement. The State Patrol also administers grants to local agencies under operation NightCAP and e-Heat (speed) to enforce traffic safety laws.

Surface Transportation Act - Red-dyed fuel grant. This is a grant issued through the Minnesota Department of Transportation from the Surface Transportation Act funding to facilitate the inspection of fuel used in motor vehicles for on-highway use to ensure proper fuel taxes have been applied.

Federal Transit Authority. This grant provides funding to obtain consultants services to perform a review and analysis of the safety and security of Minnesota's Light Rail Transit (LRT) operations and procedures.

Homeland Security / Federal Emergency Management Administration grants. This grant is an assistance program to the state for expenses related to improving the state's ability to prevent and respond to acts of terrorism. Grants are available for purchase of equipment and/or technology. Individual grants are requested and approved throughout the year.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
The MCSAP has been authorized from 2005 through 2009 by (Safe, Accountable, Flexible, Efficient Transportation Safety Equity Act: A Legacy for Users (SAFETY LU). Each year the FMCSA requests Congress to allocate the funds that were authorized. Requests are usually approved for an amount lower than requested. Congress has also earmarked certain funds dedicated to certain activities within truck and bus safety. Special projects and dedicated funds have been combined in the basic grant allocations. MCSAP funds have been authorized to increase 10% by 2009.

FUNDS AT RISK:
The status of the MCSAP program for FFY 2007 and beyond is not known for certain pending action by the Congress.

PROGRAM: Driver and Vehicle Services (DVS)

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PROGRAM DESCRIPTION:

Improved Minnesota Driver's License Information System (IMDLIS) Project Description. The purpose of the grant is to redesign the Minnesota Driver License Information System for enhanced access, accuracy and utility of Driver Services information, thereby improving problem driver management and traffic safety, customer service, and Driver Services operational efficiencies.

Specific project objectives include:

1. Focusing on a "paperless" e-Government systems approach.
2. Ensure 24/7 access to information by law enforcement and court systems when needed, to improve public safety operations and customer service.
3. Automate problem driver case management to enable removal of problem drivers from Minnesota roads by authorities and improve public safety.
4. Provide interaction between DVS databases and those used by court, law enforcement, and other agencies to ensure that all of the information appropriate to ensuring public safety can be available through a single interface.
5. Improve license issuance process to limit opportunity for applicants to obtain fraudulent driver licenses and to improve customer service. Improve reporting and records management to facilitate law enforcement and court systems access, customer service, responsiveness to changing conditions, and to support decision analysis. Encourage data entry at the source of data to improve availability and accuracy of information.
6 Automate Driver Services workflow wherever possible to improve operational efficiency.

Commercial Drivers License (CDL). The Minnesota Department of Public Safety's Driver Services office is responsible for administering the CDL (Commercial Driver's License) Grant. The major goal is improving safety on highways by working to improve the licensing, monitoring, and data collection related to the CDL system and correct identified deficiencies so that we are consistent with national CDL priorities. The grant money allows for the purchase of hardware, software, electronic data links with web sites, and staff training, as well as programming. The key to the success of the grant is the collaboration of state agencies (DVS, State Patrol and Minnesota Department of Transportation (MNDOT) as well as business partners including the MN Court System, MN County Attorney Association, and a representative from the state's driver license agent association.

Performance and Registration Information Systems Management (PRISM). The purpose of the grant is the implementation of the PRISM program in the State of Minnesota. PRISM is a federal program measuring the safety fitness of motor carriers and to link this information to the motor vehicles registration and licensing system in the state.

The information is provided and made available to law enforcement agents when conducting motor carrier enforcement and allows enforcement to be more proactive targeting carriers and vehicles that have safety issues. Those carriers and vehicles having continued poor safety fitness ratings can be placed out of service by the Federal government. This action by the Federal government results in state action to remove registration and licensing from the carrier and prohibits the carrier from obtaining new registration. Further, the information is linked to a national system so any state can view data and record status on motor carriers and their vehicles registered in Minnesota.

Overall, this program strives to improve 1. accountability of the carrier and the vehicles they are responsible for by linking the carrier to the vehicle by use of the U.S. Department of Transportation (USDOT) number; 2. rating carrier safety fitness in a performance based program; 3. productivity of staff engaged in the enforcement of motor carrier safety by targeting efforts on carries with a history of safety violations; 4. data quality that States share with each other, carriers, law enforcement, and other business partners by linking safety data to carrier and vehicle data; 5. Motor Carrier safety by providing carriers the opportunity to improve their operations through identification and incentives to improve.

Social Security Number Verification grant objective is to reduce, detect and prevent license fraud and improve traffic safety. Verifications will be performed online that will allow for real-time verifications at the applicants first

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point of service. If the process is timed out or connectivity is down the application will be accepted and the verification will be done via a weekly batch report.

Project expenditure is expected to extend into SFY 2008. Total grant amount awarded was $600,500 with a federal share of $480,400 and state share of $120,100. Eighty percent will be spent in SFY 2007 and twenty percent in SFY 2008.

Facial Characteristic Recognition (FCR) grant objective is to reduce, detect and prevent license fraud and improve traffic safety. Implementing the FCR system will assist in identifying current database fraud and prevent future applicants from obtaining false identification documents. This action will be performed during the audit

PROGRAM: Driver and Vehicle Services (DVS) (cont'd)

phase of the application process. The facial recognition verification method will use the existing photo image database. When fraud is identified, the driver's status will be cancelled. IMDLIS, Problem Driver Pointer System (PDPS) and Commercial Drivers License Information System (CDLIS) will stop future activity for that assumed name. Project expenditure is expected to extend into SFY 2008. Total grant amount awarded was $800,000. The federal share is 100%. Eighty percent will be spent in SFY 2007 and twenty percent for SFY 2008.

The Accident Records System Upgrade grant will allow the production of a web-based electronic accident report application that will be used by law enforcement agencies and other local units of government who use this type of information.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

PROGRAM: Alcohol & Gambling Enforcement

PROGRAM DESCRIPTION:
Youth and Alcohol Prevention. This program provides assistance to local law enforcement to conduct compliance checks of liquor retailers, investigate and charge adult providers of alcohol to minors, and conduct surveillance of under age drinking at events.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

PROGRAM: Traffic Safety

PROGRAM DESCRIPTION:
The vast majority of programs conducted by the Office of Traffic Safety are designed to reduce the number and severity of traffic crashes that occur in Minnesota by changing driver behavior.

National Highway Traffic Safety Administration NHTSA 402 Traditional: Plan, coordinate, implement, encourage, monitor, and evaluate traffic safety programs designed to change driver behavior; provide grant funds to governmental agencies to they can develop related programs. Also includes: **NHTSA 402 (2003B Child Passenger Safety):** Support specific innovative programs related to child seats and booster seats; and **NHTSA 402 (157 Innovative):** Support specific activities related to enforcement of the seat belt law during the month of May.

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NHTSA 164AL and 164PM Repeat DWI Offender: Provide grants to state agencies and local governments to improve operations related to DWI or to improved hazardous road locations.

NHTSA 157 Seat Belt Performance Incentive: Funds may be used for any program eligible for 402 Traditional activities.

NHTSA 410 Impaired Driving: Support state and local activities related to reducing the incidence of impaired driving.

NHTSA 411 Data: Support state and local activities related to improving crash data systems.

PROGRAM: Traffic Safety (cont'd)

NHTSA CODES: Link Minnesota DPS, MNDOT, and Minnesota Department of Health databases to hospital databases to provide data for more complete analysis of traffic crash causes and results.

Fatal Accident Reporting System (FARS): Collect, analyze, code, and contribute information on Minnesota's fatal traffic crashes to the national FARS database maintained by NHTSA.

NHTSA 2010 Motorcycle: Support state and local activities related to motorcycle safety.

NHTSA 408 Information Systems: Support state and local activities related to improving traffic crash data collection, analysis, and reporting systems.

Department of Justice, (DOJ), Office of Juvenile Justice & Delinquency Prevention (OJJDP): Support state and local activities related to limiting minors' access to alcohol and upholding underage drinking laws.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
NHTSA programs are currently provided to states under the guidelines developed in SAFETY LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users). Those basic guidelines describe the hard and soft matching funds required for each program, set the minimum amount of program expenditures that must be for the benefit of local units of government, define what states must do to qualify for each program, and establish the amount of funds potentially available to states under the program. The current congressional authorization for SAFETY LU ends on October 30, 2009.

FUNDS AT RISK:
NHTSA 164AL and 164PM Repeat DWI Offender: Funds are available to DPS because they were transferred from DOT. This transfer will not continue if prescribed sanctions for repeat DWI offenders are enacted.

DOJ/OJJDP: Unlike the majority of NHTSA programs, this program is authorized on a year-to-year basis. Funding beyond FFY2006 is not promised or guaranteed.

All NHTSA Programs: The re-authorization completed in 2006 authorizes the programs for NHTSA to fund; however, the amount of funding is set annually by an appropriation of Congress. Therefore, future funding levels may change from year to year.

PROGRAM: Pipeline Safety

PROGRAM DESCRIPTION:
Pipeline Safety Operations. This program inspects intrastate and interstate pipelines and investigates pipeline failures, incidents and accidents.

Damage Prevention. This program is to increase enforcement and education about the Gopher State One Call Law.

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Homeland Security Preparedness Grant. This program provides assistance to purchase equipment for protecting and facilitating communication among emergency responders. This assistance will also strengthen terrorism response capabilities by providing funding for exercises, training, planning and organizational activities. The grants are awarded by the federal Department of Homeland Security though the MN Department of Public Safety's Homeland Security and Emergency Management Division (HSEM).

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

PROGRAM: Office of Justice Programs (OJP), Crime Victim Services (CVS)

PROGRAM DESCRIPTION:
OJP CVS is responsible for the administration of federal funds for victims of crime. This program distributes grants to local programs and offers technical assistance and training to grantees. Additionally, the crime victim reparations board provides direct financial assistance to victims of violent crime. Federal funds are critical to all of this program's activities. Most local victim services programs funded by OJP CVS receive a combination of state and federal funding, but a large portion of each program's grant comes from federal sources. Several projects are supported by federal funding entirely. In addition, federal dollars make up a large percentage of the funds distributed by the board.

Victims of Crime Act (VOCA), Victim's Compensation Grant is received annually from the U.S. Department of Justice. Funds are used to reimburse crime victims and their family members for financial losses incurred due to a crime involving personal injury or death. The VOCA compensation grant is a match of state spending, and the match level is 60%.

Victims of Crime Act (VOCA) grant is received annually from the U.S. Department of Justice, Office for Victims of Crime. This grant funding is distributed to victims services programs for direct services such as crisis intervention, counseling, transportation and advocacy. The award has decreased 7% over the last two years. VOCA requires a 20% match.

Violence Against Women Act (VAWA) grant is received annually from the U.S. Department of Justice, Office of Victims of Crime. These funds are for projects to improve law enforcement and prosecution strategies and victim services in cases involving violence against women. VAWA requires a 25% match.

Minnesota Department of Health grant has been awarded to OJP CVS over the past several years to support rape prevention programs and services for victims of sexual assault. The funding originates from the U.S. Department of Health and Human Services. The Minnesota Department of Health is reevaluating the use of this funding beyond this current year.

Family Violence Prevention Services Act (FVPSA) grant is received annually from the U.S. Department of Health and Human Services. Grant funds are for emergency shelter and related assistance for battered women and their children. The amount of the grant has remained at approximately the same level for several years. FVPSA requires a 20% match.

State Academy Grant. This three year grant supports the development of a state crime victims training academy and requires a 25% match.

Red Lake Emergency Assistance. Reparations funding to address the needs of the victims of the Red Lake School shooting.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
The amount of federal funding varies from year to year. Both reparations and victims assistance programs rely on the Victims of Crime Act (VOCA) funds which are derived from the amount of fine money collected by the federal

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government and deposited into the dedicated federal crime victims fund. Although deposits have increased in recent years, Congress has put a cap on the amount that can be spent.

FUNDS AT RISK:
The State Academy Grant ends 8/31/08.

PROGRAM: Office of Justice Programs (OJP), Law Enforcement & Community Grants

PROGRAM DESCRIPTION
Edward Byrne Justice Assistance Grant Program (JAG), Bureau of Justice Assistance (BJA). These funds may be used to support activities to prevent and control crime and improve the functioning of the criminal justice system. This program has been reduced by 64% since FFY 2004. A 25% match was required until the FFY 2005 award.

Project Safe Neighborhood (PSN). These funds are administered by BJA is a comprehensive, strategic approach to reducing gang and gun violence.

Residential Substance Abuse Treatment for State Prisoners (RSAT). These funds are provided for developing and implementing residential substance abuse treatment programs in correctional facilities. This program was eliminated in FFY 2004 and restored in FFY 2005. The FFY 2006 award is $88,835 which is a reduction from FFY 2005. RSAT requires a 25% match.

Statistical Analysis Center. This $50,000 annual award is designed to maintain and enhance the state's capacity to address criminal justice issues through collection and analysis of data.

Executive Office of Weed and Seed (EOWS). The purpose of this program is to assist neighborhoods in "weeding out crime" and "seeding" community livability and vitality.

Paul Coverdell Forensics Grant. The purpose of this grant program is to improve forensics laboratory and medical examiner services.

Juvenile Justice Title II. This is an annual formula award to assist states to reach goals established in a Three-Year Plan, to comply with the four core requirements of the federal Juvenile Justice and Delinquency Prevention Act, and to fund a State Advisory Group that advises the Governor on juvenile justice issues. A dollar for dollar match is required for the administrative portion of this award.

Juvenile Accountability Block Grant (JABG). This is an annual formula award to help states establish programs that promote greater juvenile justice system accountability. Seventy-five percent of this funding must be distributed to local units of government in a formula that weighs crime data and juvenile justice expenditures. Minnesota's JABG funds have been reduced by 73% since FFY 2004. JABG requires a 10% match.

Juvenile Justice Title V. The purpose of this program is to fund collaborative, community-based delinquency prevention efforts. The FFY 2006 award is $56,250 which is a decrease of 77% since the FFY 2004 award.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

FUNDS AT RISK:
Most federal grant programs have been significantly reduced since FFY 2004 and all are at risk. The JAG and RSAT programs have the highest risk of elimination.

PROGRAM: 911 Emergency Services/ Allied Radio Matrix for Emergency Response (ARMER)

PROGRAM DESCRIPTION

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Homeland Security. Provide for update of the statewide Public Safety Radio Plan and for Minnesota's participation in the National Governor's Association (NGA) Center for Best Practices for Public Safety Wireless Communications Interoperability Policy Academy.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

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Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
Financial Services	18	SO	18	6	6	6
Information and Public Education – National Highway Traffic Safety Administration (NHTSA)	0	SO	393	276	254	265
Paid Media	0	SO	1,470	481	481	481
Homeland Security Public Information	0	SO	60	55	61	66
01 Administration & Related	**18**		**1,941**	**818**	**802**	**818**
Comprehensive Environmental Response Compensation and Liability Act (CERCLA)	0	GPS	0	3	3	3
Disaster Assistance Grants & Individuals and Households Program (IHP)	1,157	SO/GPS/GI/ GCBO	14,578	24,130	181	187
Emergency Management Performance (EMPG)	859	SO/GPS	1,019	3,187	3,154	3,154
Hazardous Materials Emergency Preparedness (HMEP)	0	SO/GPS	275	94	262	262
Hazard Mitigation Grants (HMGP)	12	SO/GPS	2,911	10,206	99	106
National Oceanic and Atmospheric Administration (NOAA) Weather Radio	0	SO	79	47	56	56
Homeland Security Grants	0	SO/GPS	43,794	39,352	15,752	15,611
02 Emergency Management	**2,028**		**62,656**	**77,019**	**19,507**	**19,379**
Forensic Laboratory – DNA Programs	0	SO	794	712	234	0

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Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
National Forensic Science Improvement Act (NFSIA)	0	SO	139	135	16	0
Edward Byrne Justice Assistance CCH Improvement	391	SO/GPS	1,902	320	0	0
Edward Byrne Justice Assistance CIBRS	0	SO	245	72	0	0
Local Law Enforcement Block Grants (LLEBG)	45	SO	463	11	0	0
National Criminal History Improvement Program (NCHIP)	124	SO/GPS	1,521	213	0	0
Community Oriented Policing Services (COPS)	0	SO	362	164	169	0
Marijuana Eradication	0	SO	77	77	77	77
Homeland Security	0	SO	557	92	0	0
CriMNet	0	SO	16	615	665	144
Safe Neighborhood	0	SO	123	124	47	0
National Highway Traffic Safety Administration (NHTSA) DWI Tracking	0	S0	0	150	0	0
High Speed Digital Video Analysis of Bloodstain Pattern	0	SO	0	0	55	0
Evaluation of StreetLab® Raman for Testing Drugs	0	So	0	30	9	0
03 Criminal Apprehension	**560**		**6,199**	**2,715**	**1,272**	**221**
Homeland Security Preparedness	0	SO	43	6	6	6
Public Fire Awareness	0	SO	0	74	0	0
04 Fire Marshal	**0**		**43**	**80**	**6**	**6**
Motor Carrier Assistance						

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Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
Program (MCSAP)	5,998	SO/GPS	5,342	6,693	5,767	5,767
National Highway Traffic Safety Administration (NHTSA)	0	SO/GPS	3,120	4,074	4,000	4,000
NHTSA (402–164) Alcohol -50 Troopers	312	SO	3,923	0	0	0
Surface Transportation Act –Red-dyed fuel grant	0	SO	111	110	110	110
Police Corps (OJP)	0	SO	488	0	0	0
Office of Justice Programs (OJP)	0	SO	577	0	0	0
Federal Transit Authority	0	SO	60	60	60	60
Homeland Security	0	SO	266	280	280	280
Federal Emergency Management (FEMA)	0	SO	23	0	0	0
05 State Patrol	**6,310**		**13,910**	**11,217**	**10,217**	**10,217**
Improved MN Driver's License Information System (IMDLIS)	0	SO	3	0	0	0
Commercial Drivers License (CDL)	0	SO	239	866	147	0
Performance and Registration Information System (PRISM)	0	SO	22	0	0	0
Social Security Number Verification (SSNV)	0	SO	1	383	96	0
Facial Characteristic Recognition (FCR)	0	SO	0	640	160	0
Accident Records System Upgrade	0	SO	0	140	0	0
07 Driver & Vehicle Services	**0**		**265**	**2,029**	**403**	**0**

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Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
Youth & Alcohol	0	SO/GPS	192	225	192	192
10 Alcohol & Gambling Enforcement	**0**		**192**	**225**	**192**	**192**
NHTSA 402 Traditional	287	SO/GPS	7,614	13,538	9,038	9,038
NHTSA 164AL & 164PM Repeat DWI Offender	0	SO/GPS	7,426	9,710	4,710	4,710
NHTSA 157 Seat Belt Performance Incentive	0	SO/GPS	218	50	50	50
NHTSA 410 Impaired Driving	0	SO/GPS	1,028	2,405	2,205	2,205
NHTSA 411 Data	0	SO/GPS	20	0	0	0
NHTSA CODES	0	SO/GPS	74	66	66	66
Fatal Accident Reporting System (FARS)	0	SO	74	82	82	82
NHTSA 2010 Motorcycle	0	SO	0	121	121	121
NHTSA 408 Information Systems	0	GPS	0	789	789	789
DOJ-OJJDP Under-Age Drinking	0	SO/GPS	377	355	355	355
11 Traffic Safety	**287**		**16,831**	**27,116**	**17,416**	**17,416**
Pipeline Safety Operations	918	SO	895	873	873	873
Damage Prevention	0	SO	50	26	50	50
Homeland Security Preparedness	0	SO	37	0	0	0
20 Pipeline Safety	**918**		**982**	**899**	**923**	**923**
Victims Compensation (VOCA)	1,462	GI	1,066	927	1,050	1,050
Victims Of Crime	4,356	SO/GPS/ GCBO	6,129	12,809	6,814	6,814

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Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
Assistance (VOCA)						
Violence Against Women Act (VAWA)	19,143	SO/GPS/ GCBO	1,979	576	2,049	2,049
MN Department of Health	0	GCBO	127	117	124	124
Family Violence Prevention Services Act (FVPSA)	0	SO/GPS/ GCBO	1,609	1,636	1,550	1,550
Victim Assistance Academy	28	SO/GCBO	28	95	93	93
Edward Byrne Memorial Anti-Drug Grants, Bureau of Justice Assistance (BJA)	1,576	SO/GPS/ GCBO	11,912	7,355	3,222	3,182
Project Safe Neighborhoods (BJA)	0	SO/GCBO	638	1,443	1,220	1,220
Residential Substance Abuse Treatment (RSAT)	4	SO/GPS	128	313	89	89
Statistical Analysis Center	0	SO	54	22	50	50
Executive Office of Weed & Seed (EOWS)	0	SO/GPS	1,028	791	950	950
Paul Coverdell Forensics	0	GPS	191	71	165	165
Juvenile Justice Title II	103	SO/GCBO	1,193	1,130	932	932
Juvenile Accountability Block Grant (JABG)	7	SO/GPS	889	123	770	770
Juvenile Justice Title V	0	GPS	174	252	56	56
Red Lake Emergency Assistance	0	SO	188	130	130	130
Local Law Enforcement Block Grants (LLEBG)	0	SO/GPS	5	0	0	0
Safe Haven (VAWA Supplemental)	0	SO/GCBO	146	46	0	0
WEGO Grants	0	SO	2	0	0	0

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Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
Management System						
Office of Justice Programs	**26,679**		**27,486**	**27,836**	**19,264**	**19,224**
Homeland Security	0	SO	245	205	0	0
911 Emergency Services/ Allied Radio Matrix for Emergency Response (ARMER)	**0**		**245**	**205**	**0**	**0**
Agency Total	**36,800**		**130,750**	**150,159**	**70,002**	**68,396**

Key:
Primary Purpose
SO = State Operations
GPS = Grants to Political Subdivision
GI = Grants to Individuals
GCBO = Grants to Community Based Organizations

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➲ Designates that this item is a change item

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Agency Purpose

Minnesota statutes direct the Minnesota Public Utilities Commission (PUC) to ensure that Minnesota vendors of electric, natural gas, and telephone services provide safe, adequate, and reliable service at fair and reasonable rates (M.S. Chapters 216A, 216B and 237)

The commission's broad policy objectives are

- to foster effective competition in Minnesota's telecommunications markets; and
- to assure safe and reliable gas and electric services at reasonable rates.

At A Glance

- **Focus is on cornerstone industries:** Adjudicates disputes, sets terms of service, and establishes policy for largest providers of electric, natural gas, and telephone services.
- **Disciplined decision-making:** Decision-making dictated by due process. Most cases cleared within 60 to 90 days.
- **Workload growth:** Over 4,000 filings in the 2004-2005 biennium; sustaining upward trend; Responsibility to approve the location of large energy facilities was added in 2005
- **Agency costs among the lowest:** Minnesota ranks 48th of the 50 states in terms of commission staff size per capita.
- **Consumer issues managed:** Continuing outreach efforts and improved information management reduce formal complaints.
- **Strategic use of technology:** Joint initiative with Department of Commerce lead to implementation of electronic filing; greater use of database technologies.

Core Functions

The commission's key service is providing a disciplined decision-making venue to:

- resolve party-to-party disputes;
- establish just and reasonable rates and terms of service;
- approve energy infrastructure that enhances the public interest;
- establish broad utility and telephone industry policies;
- providing a public forum for examination of issues and policies pertaining to the utility and telephone industries; and
- mediating consumer complaints concerning services of telephone or energy utility providers.

Operations

The commission is a quasi-judicial and legislative body.

⇒ It uses its quasi-judicial powers when it sets rates and terms of service, or otherwise resolves issues related to an individual company or certain groups of companies.

⇒ It uses its legislative powers when it sets broad policies that affect all companies in an industry, as when it establishes rules.

In all cases, the commission must make its decisions on record evidence and in accordance with due process, including adherence to a strict code of conduct.

Primary stakeholders include ratepayers and the companies that provide electric, natural gas, and telephone services. In addition, commission stakeholders include a wide variety of interest groups representing the interests of low-income households, seniors, regional rate payer groups, environmentalists, large users, and alternative service providers.

Key Measures

⇒ An increasing market share among telephone companies competing with the former regulated monopoly companies, like Qwest, is an important indicator of the competitive health of the telephone industry in Minnesota. Figure 1 shows that the collective market share of such competing firms in Minnesota increased nearly three and one-half times from 2000 to 2005, a pace exceeding states of comparable population size as well as the nation as a whole.

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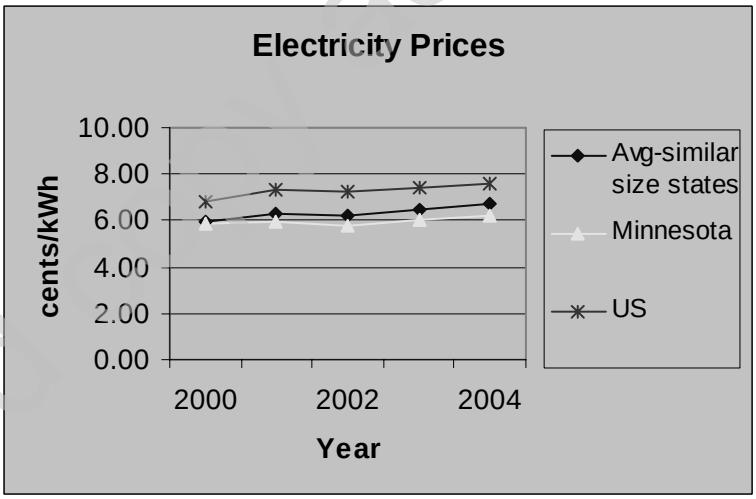
Figure 1

⇒ Energy prices in Minnesota compared to other states provides an indication of the Commission's effectiveness in securing reasonable utility rates. As shown on Figure 2, Minnesota's average retail electricity rates from 2000 through 2004 have consistently been lower than in states with comparable population size as well as the nation as a whole.

Figure 2



⇒ For natural gas, which must be totally imported, Minnesota's overall rates have been on par with national averages and have consistently been lower than other importing states that also heavily rely on gas for heating, as seen in Figure 3. Minnesota's residential rates have consistently been significantly lower than these heating states as well as the nation as a whole.

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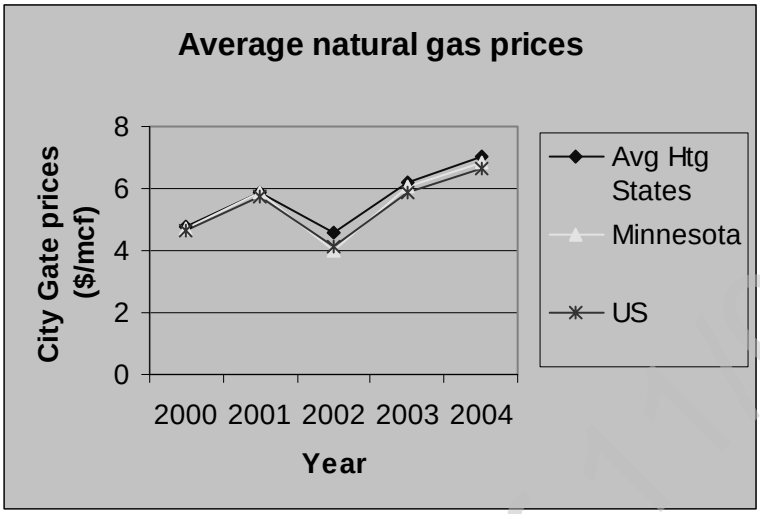
Figure 3



Budget

Nearly 90% of the biennial operating budget comes from the General Fund. The special fund for the reliability administrator provides the remainder of the operating budget. The agency consistently assesses about 97% of its expenditures to the companies it regulates; and returns to the General Fund well over 90% of what it spends. Approximately 93% of the operating budget covers salary and rent expenses. The Commission's staff of 43 full-time equivalent employees (including five commissioners) is among the lowest on a per capita basis among all the states.

Contact

For more information about the commission and its operations please visit the commission's web site at the following address: www.puc.state.mn.us. The web site allows access to all documents filed in docketed matters before the commission as well as the commission's monthly calendar, recent filings, orders, notices, agendas for up-coming meetings, staff briefing papers, document reports, links to regulated companies and related agencies, as well as incorporating a refined site navigation system and enhanced Americans with Disabilities Act (ADA) features.

Agency contact person: Burl Haar
Phone: (651) 201-2222
Fax: (651) 297-7073

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	4,163	4,163	4,163	4,163	8,326
Recommended	**4,163**	**4,163**	**5,268**	**5,342**	**10,610**
Change		0	1,105	1,179	2,284
% Biennial Change from 2006-07					27.4%
Expenditures by Fund					
Direct Appropriations					
General	3,844	4,666	5,268	5,342	10,610
Statutory Appropriations					
Misc Special Revenue	2,560	3,065	2,354	1,896	4,250
Total	**6,404**	**7,731**	**7,622**	**7,238**	**14,860**
Expenditures by Category					
Total Compensation	3,512	3,685	4,182	4,372	8,554
Other Operating Expenses	1,559	2,532	1,884	1,268	3,152
Local Assistance	1,333	1,514	1,556	1,598	3,154
Total	**6,404**	**7,731**	**7,622**	**7,238**	**14,860**
Expenditures by Program					
Public Utilities Comm	6,404	7,731	7,622	7,238	14,860
Total	**6,404**	**7,731**	**7,622**	**7,238**	**14,860**
Full-Time Equivalents (FTE)	**41.6**	**41.6**	**43.6**	**43.6**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**4,163**	**4,163**	**4,163**	**8,326**
Subtotal - Forecast Base	**4,163**	**4,163**	**4,163**	**8,326**
Change Items				
Reliability Administrator Staff	0	782	788	1,570
Additional Staffing	0	189	191	380
National Regulatory Research Institute	0	23	23	46
Credit Trading system	0	47	48	95
Compensation Adjustment	0	64	129	193
Total Governor's Recommendations	**4,163**	**5,268**	**5,342**	**10,610**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**3,065**	**2,354**	**1,896**	**4,250**
Total Governor's Recommendations	**3,065**	**2,354**	**1,896**	**4,250**

Revenue Change Items

Fund: GENERAL				
Change Items				
Reliability Administrator Staff	0	782	788	1,570
Additional Staffing	0	189	191	380
National Regulatory Research Institute	0	23	23	46
Credit Trading system	0	47	48	95
Compensation Adjustment	0	62	125	187

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$782	$788	$788	$788
Revenues	782	788	788	788
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation
The Governor Recommends a General Fund increase of $1,570,000 in FY 2008-09 and $1,576,000 in FY 2010-11 to continue funding for staff and research needed for siting and routing of large energy facilities. This change will convert current costs from the Special Revenue Fund to the General Fund.

Background
The 2005 legislature transferred authority over the siting and routing of large energy facilities from the Environmental Quality Board (EQB) to the Public Utilities Commission (PUC). Funding for this new responsibility came from transferring the temporary funding made available to the Reliability Administrator under M.S. 216C.052. That funding sunsets on 6/30/07.

The PUC can't absorb this much unfunded effort. The Reliability Administrator funding is already inadequate to cover the siting and routing responsibilities. Without additional funding, needed work will go undone, slowing down the process. The cost will be recovered through the PUC's normal assessment.

Relationship to Base Budget
The proposed funding represents 13% of the agency's total budget and 19% of the operating budget.

Key Measures
Funding this request will avoid unnecessary delays in siting and routing and allow the PUC to complete the process within statutory time-frames.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$189	$191	$191	$191
Revenues	189	191	191	191
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation
The Governor recommends a General Fund increase of $380,000 in FY 2008-09 and $382,000 in FY 2010-11 for two professional staff to manage the expanding workload, and to represent Minnesota's interests in regional and national policy activities. The cost of this initiative will be recovered through the Public Utilities Commission (PUC)'s normal assessment.

Background
Deregulation has made the commission's work much more complicated. Telecommunications has moved from rate regulation, to a more competitive model with many more players and the commission acting as referee. Energy utility services have been transformed by deregulation seeking more market-like approaches, and by overdue infrastructure upgrades. The commission is struggling not only to ensure it is rendering informed, equitable, and well-articulated decisions, but also to adequately represent Minnesota's interests at regional and national energy forums. This has become difficult for several reasons:

- the number and complexity of energy-related filings by Minnesota utilities;
- the number and complexity of telecommunications filings;
- the new responsibilities for siting and routing enacted by the 2006 legislature;
- the volume of requests for siting and routing of transmission lines for wind generated electricity in SW MN;
- the need for involvement in entities that decide regional policy;
- the need to develop staff expertise before senior staff retire.

Internal reallocations have helped focus resources on the most critical issues, but the commission has reached the limits of such measures. At current funding levels, important tasks are getting less attention than needed and others, like representing Minnesota's interests at regional or national policy forums, are simply not being done.

Considering the impact this will have on the agencies ability to achieve its goals, the cost is modest. Even after these changes, the commission's budget and staff will be under the average for regulatory commissions in states with comparable populations. The costs will be recovered through the agency's assessment process.

Relationship to Base Budget
This change represents about 3% of the agency's total budget and 5% of its operating budget.

Key Measures
This initiative will enhance the market for telephone services and energy utility services by ensuring that the PUC has adequate staff to address the issues that come before it.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$23	$23	$23	$23
Revenues	23	23	23	23
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation
The Governor recommends a General Fund increase of $46,000 for FY 2008-09 and thereafter to enable the commission to pay Minnesota's share of the cost of services provided by the National Regulatory Research Institute (NRRI). The funding will be recovered as part of the commissions normal assessment.

Background
The Minnesota Public Utilities Commission (PUC) is a member of the National Association of Regulatory Utility Commissioners (NARUC). NRRI is the research arm for NARUC. It's the best source of independent research on cutting edge issues facing state utility regulators. Because it's uniquely tailored to meet the needs of state commissions, NRRI is increasingly used as an extension of their research efforts. NRRI has been invaluable to state commissions striving to stay abreast of regional and national issues, and provides much needed analysis of more technical issues occurring in cases coming before them.

NRRI costs are allocated to the states based on population size. Until recently, NRRI billed Minnesota utilities and telephone companies individually, which is inefficient for both NRRI and the companies. Under the new method, NRRI will bill the PUC, which will in turn assess the costs to the regulated utilities. This change will actually lower billings by a small amount, but will be more efficient for both NRRI and the utility companies.

Relationship to Base Budget
This change represents 0.3% of the commission's total budget and 0.5% of its operating budget.

Key Measures
The greater efficiency of NRRI's improved billing system will lower the costs to its members.

Statutory Change: Not Applicable.

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Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$64	$129	$129	$129
Revenues	$62	$125	$125	5129
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2	$4	$4	$4

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs. This cost will be substantially offset by the PUC's normal assessment to regulated industries.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$47	$48	$48	$48
Revenues	$47	$48	$48	$48
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends $95 thousand in the 2008-2009 biennium to create and maintain the credit trading system and to establish the renewable energy credit programs passed into law as chapter 3 of the 2007 session. These costs will be recovered through the PUC's normal assessment.

Background
Minnesota Laws 2007, Chapter 3 (SF4/HF4) modified existing law on renewable energy objectives by making them requirements, increasing the amount of renewable energy required to meet the standards, directing the Commission to require utilities to participate in a credit tracking system, requiring the Commission to establish a program for tradable renewable energy credits, and providing for compliance.

The Commission has devoted staff resources of approximately ½ FTE, since 2003 to implement Minn. Stat. 216B.1691. Chapter 3 will require a continuing dedication of those staff resources, plus an increase of ½ FTE to meet the general increase in oversight responsibilities, apply the new standards for modification or delay of obligations, develop a renewable energy trading system, and review renewable transmission reports.

Relationship to Base Budget
This amount is approximately 1% of the PUC's annual base.

Key Measures
- Renewable energy will be tracked and verified.
- Regulated utilities will participate in the credit trading system.

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Statutory Change: Not Applicable.

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	4,930	5,131	5,701	5,772	11,473
Other Revenues:					
General	25,955	0	0	0	0
Total Non-Dedicated Receipts	**30,885**	**5,131**	**5,701**	**5,772**	**11,473**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	2,826	2,821	2,147	1,647	3,794
Other Revenues:					
Misc Special Revenue	195	190	190	190	380
Total Dedicated Receipts	**3,021**	**3,011**	**2,337**	**1,837**	**4,174**
Agency Total Revenue	**33,906**	**8,142**	**8,038**	**7,609**	**15,647**

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➲ Designates that this item is a change item

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Agency Purpose

The Minnesota Racing Commission (MRC) is a regulatory agency created in 1983 to supervise and regulate the pari-mutuel horse racing industry in Minnesota. The Commission's mission is to assure the integrity of pari-mutuel wagering and card playing and the safety and welfare of the humans and animals that participate in these activities.

At A Glance

The Minnesota Racing Commission annually:

- Oversees 69 days of live horseracing, 364 days of out-of-state simulcasting, and 24/7 operation of Canterbury Park Card Club
- Licenses over 4,100 individuals to work at the racetrack
- Audits a total wagering handle of $80 million
- Collects General Fund taxes and fines of $235,200

Core Functions

The Racing Commission:

⇒ Establishes criteria and standards for licensing of pari-mutuel racetracks and the personnel employed or operating at such facilities.

⇒ Establishes criteria and standards for security, surveillance, veterinary services, and law enforcement at licensed racetracks and provides oversight of these functions.

⇒ Establishes standards and rules in order to protect the health and welfare of the equine athlete.

⇒ Collects and distributes all taxes and fees related to pari-mutuel horse racing and card playing to the General and Breeder's funds.

The Racing Commission serves a varied customer base. Administering the Minnesota Breeders' Fund requires interaction with horse owners, breeders, and state-bred programs in other racing jurisdictions. As part of the regulatory and licensing process, Racing Commission staff work with: applicants for occupational licenses, Class A, B, C, and D license holders, other racing jurisdictions, various horse racing industry associations, local and state police, and the Alcohol and Gambling Enforcement Division of the Department of Public Safety.

Key Measures

The MRC performs the following general duties:

⇒ Licenses and conducts background investigations each year of individuals applying to work at the racetrack and card club to assure the integrity of the individuals participating in pari-mutuel wagering and card playing in Minnesota and nationally.

⇒ Registers horses each year to allow owners to participate in the Minnesota Breeders' Fund awards program so that economic stability and growth in related agri-business continues.

⇒ Conducts pre-race exams of all horses racing each day, which protects equine participants and the betting public.

⇒ Conducts investigations of any suspected violations of Minnesota's racing laws and card club laws and rules in order to enforce rules and laws that were established to protect the integrity of the racing industry in Minnesota and nationally.

⇒ Supervises all activities affecting the conduct of a racing day to protect all human and equine participants and assure the integrity of pari-mutuel wagering for the betting public.

Budget

Of the MRC's FY 2006-07 biennial budget, 19% comes from a Special Revenue Fund appropriation, which is funded by racetrack, racing, and occupational license fees, 24% comes from the racetrack as reimbursements for the cost of stewards, veterinarians, and laboratory services, and 57% comes from the Breeders' Fund tax collections (miscellaneous agency fund) which is distributed back to industry participants (horse owners). Commission staff is comprised of 7.1 full-time equivalent employees and seven professional/technical service contracts (three stewards, three veterinarians, and one equine drug testing laboratory).

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Contact

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Richard Krueger, Executive Director
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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Misc Special Revenue					
Current Appropriation	674	835	835	835	1,670
Recommended	**674**	**835**	**1,130**	**899**	**2,029**
Change		0	295	64	359
% Biennial Change from 2006-07					34.5%
Expenditures by Fund					
Direct Appropriations					
Misc Special Revenue	462	670	1,130	899	2,029
Statutory Appropriations					
Misc Special Revenue	639	663	1,008	1,033	2,041
Miscellaneous Agency	1,296	1,251	1,251	1,251	2,502
Total	**2,397**	**2,584**	**3,389**	**3,183**	**6,572**
Expenditures by Category					
Total Compensation	542	718	847	946	1,793
Other Operating Expenses	862	913	1,589	1,284	2,873
Local Assistance	993	953	953	953	1,906
Total	**2,397**	**2,584**	**3,389**	**3,183**	**6,572**
Expenditures by Program					
Racing Commission	2,397	2,584	3,389	3,183	6,572
Total	**2,397**	**2,584**	**3,389**	**3,183**	**6,572**
Full-Time Equivalents (FTE)	**8.3**	**8.3**	**9.3**	**9.3**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: MISC SPECIAL REVENUE				
FY 2007 Appropriations	**835**	**835**	**835**	**1,670**
Subtotal - Forecast Base	**835**	**835**	**835**	**1,670**
Change Items				
Technology Upgrade	0	295	64	359
Total Governor's Recommendations	**835**	**1,130**	**899**	**2,029**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**663**	**1,008**	**1,033**	**2,041**
Total Governor's Recommendations	**663**	**1,008**	**1,033**	**2,041**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**1,251**	**1,251**	**1,251**	**2,502**
Total Governor's Recommendations	**1,251**	**1,251**	**1,251**	**2,502**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
Other Fund				
Expenditures	$295	$64	$64	$64
Revenues	0	0	0	0
Net Fiscal Impact	$295	$64	$64	$64

Recommendation
The Governor recommends including the Racing Commission's technology upgrade as part of the Small Agency Technology Initiative carried by the Office of Enterprise Technology (OET). To receive authority to spend $295,000 in FY 2008 and $64,000 in FY 2009 from agency receipts in the Special Revenue Fund, the Racing Commission will work with OET to design an effective work plan.

Background
Through the Small Agency Technology initiative, agencies receive funding and technical assistance for projects that help maintain current systems, develop new technology to streamline business processes, and expand electronic provision of government services.

Additional funding for information technology will allow the Racing Commission to upgrade its four data processing systems in order to address deficiencies identified in a 2004 Legislative Auditor program evaluation and through review by OET and its predecessor agencies. With a second racetrack set to open during calendar year 2008, these improvements are vital to commission operations and must be completed in a timely manner.

A comprehensive upgrade of the licensing, veterinary oversight, pari-mutuel auditing, and breeders' fund oversight systems will eliminate duplicative data entry by allowing each system to acquire data electronically from the racetrack tote system. Substantial upgrades to the pari-mutuel auditing and breeders' fund oversight systems will also reduce data entry time by sharing the same wagering information between the two systems and streamline reporting which is necessary for accurate payouts to horse owners from the breeders' fund. Currently, the four systems are maintained under separate contracts with local vendors and overseen by agency employees who do not have the expertise to manage technology projects effectively. With this funding, the Racing Commission plans to bring all four systems under a single vendor contract that is overseen by a dedicated employee. Together, the vendor and the commission employee would be responsible for maintaining the systems through software and hardware upgrades as necessary.

Relationship to Base Budget
Of the $359,000 biennial appropriation, $295,000 is a one-time expense and $64,000 will be ongoing funding in the agency base budget. This increase is supported by existing fee revenue and does not require a fee change.

Key Measures
- ⇒ By coordinating small agency technology programs, OET will help the state realize economies of scale and ensure consistent methodology for project planning and implementation.
- ⇒ By working with OET to upgrade its systems, the Racing Commission will accurately document technology problems that impede the agency from fulfilling its mission, determine the extent of foundational technology upgrades required for effective operations, and then implement changes in a cost-effective manner that better align technology with agency business needs.
- ⇒ Upgrading these four systems will greatly reduce staff time spent on duplicative data entry and trying to fix reoccurring problems with system operation. Current staff members will increase follow-up on irregularities and other issues, which will lead to better enforcement of gambling and animal husbandry regulations for which the agency has oversight.

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Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	$64	$64	$64	$64	$64	$64
Supplies	2	0	0	0	0	0
Hardware	8	0	0	0	0	0
Software	5	0	0	0	0	0
Facilities	0	0	0	0	0	0
Services	216	0	0	0	0	0
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	**$295**	**$64**	**$64**	**$64**	**$64**	**$64**

Statutory Change: None.

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Other Revenues:					
General	14	10	10	10	20
Taxes:					
General	221	221	221	221	442
Total Non-Dedicated Receipts	**235**	**231**	**231**	**231**	**462**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	722	698	807	868	1,675
Other Revenues:					
Misc Special Revenue	572	597	952	977	1,929
Miscellaneous Agency	37	35	35	35	70
Taxes:					
Misc Special Revenue	59	57	57	57	114
Miscellaneous Agency	1,229	1,218	1,218	1,218	2,436
Total Dedicated Receipts	**2,619**	**2,605**	**3,069**	**3,155**	**6,224**
Agency Total Revenue	**2,854**	**2,836**	**3,300**	**3,386**	**6,686**

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January 22, 2007

To the 2007 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Revenue's recommendation for the 2008-09 biennial budget. This budget consists of $240,981,000 from the State's General Fund and $13,126,000 from other funds, an increase of 15 percent from the 2006-07 biennial base budget. This increase is primarily due to additional funding for: stepped-up tax compliance activities that are expected to generate $51.2 million in added revenue; modernization of the department's computer systems; and a compensation adjustment to help mitigate the higher cost of employee salaries.

Focus on Core Functions

The department will continue to focus on its mission of "making the revenue system work well for Minnesota". To advance this mission, the department carries out these core functions:

- providing taxpayers with the services and information they need to meet their filing and paying obligations, including forms, instructions and telephone assistance;
- processing returns and payments, issuing refunds and managing taxpayer accounts;
- auditing to resolve discrepancies, discourage tax evasion and identify patterns of noncompliance;
- enforcing the tax laws for those who do not comply voluntarily; and
- identifying and recommending improvements to the revenue system.

The Governor's budget recommendation ensures that citizens have the services they need to fulfill their tax obligations and have the confidence that the tax system is fair to all citizens.

Major Challenges Ahead

In the 2008-09 biennium, the department will continue to face six major challenges:

1. The need to modernize outdated and inefficient major computer systems.
2. Steep competition in the employment market for accountants and other highly-skilled employees in general due to a shrinking of the state labor force.
3. Eroding state revenues due to globalization of the economy and changes in technology and demographics, as well as the growing threat of federal preemptions of states' tax authority.
4. Aggressive challenges to the state tax laws by businesses and individuals.
5. An aging workforce and the loss of institutional knowledge with the potential retirement of nearly one-fourth of the workforce over the next five years.
6. Delivering services to a vastly more diverse population, some of whom have limited English speaking skills.

Operating Budget

The department will – as it has in the past –- direct its funds to improve filing and paying systems for citizens and businesses, increase revenues through expanded compliance, and deliver services at lower costs. This is being achieved by:

1. Transforming tax filing and paying from high-cost paper processes to cost-saving electronic transactions that also increase the speed, accuracy and ease of transactions for taxpayers.
2. Creating web-based self-service systems to enable taxpayers to get the information they need to file and pay their taxes, monitor the status of refunds or payments, make corrections to their records and view their filing and payment history.
3. Continuing to improve existing tax audit and collection efforts to generate added revenues from citizens and businesses that evade or under pay their tax.

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4. Evaluate changes in the economy, demographics and technology, and develop work plans for adapting to the changing environment.

History of Successful Tax Compliance Activities

In the 2002-03 biennium, the department was appropriated $9.7 million, which was expected to generate $60.1 million through increased tax compliance activities. Those efforts generated $97.2 million, or $37.1 million more than expected. The department also received $12.8 million in the 2004-05 biennium, which was expected to generate an added $59.8 million. This effort has generated $92.2 million, or $32.4 million more than anticipated.

In the 2006-07 biennium, the legislature appropriated $17.8 million, which was expected to generate $90.7 million. As of November 30, 2006, this effort has generated $74.3 million – or 82 percent of the amount anticipated for the biennium.

Budget changes

The department's budget changes focus on three priorities: improving tax compliance through increased tax enforcement activities; modernizing the agency's computer systems; and the retaining of current employees, in particular, tax auditing and enforcement personnel.

Expanded tax auditing and enforcement efforts. The department is requesting $10.2 million in the biennium to further expand its tax auditing and enforcement efforts. This tax compliance initiative is expected to generate an added $51.2 million in revenue in the biennium. This initiative centers on identifying taxpayers who neglect to file tax returns or do not pay the proper amount of tax and those that refuse to pay the taxes they legally owe.

Modernize obsolete computer systems. The department is also requesting $16 million in the biennium to acquire an integrated tax system that consolidates common functions and better integrates data from all tax systems. This will result in increasing the effectiveness of tax compliance activities and improve the quality and availability of electronic services to the public. This effort will also lessen the risk of the department's obsolete systems failing, and will mitigate the high costs of maintaining these systems. The department is convinced that the best path is to acquire a new integrated tax system rather than patch and upgrade current systems – a high cost effort that will result in no increase in functionality of the systems.

Retention of tax compliance employees. The department is requesting a compensation adjustment in the midst of an effort to attract new employees in an ever-shrinking and highly-competitive job market and retain newly-hired employees as well as highly experienced employees. The department's effort would be severely hampered by the absence of a compensation adjustment in the 2008-09 biennium. The consequences of not receiving a compensation adjustment are clear: the department would likely have to reduce its complement by about 48 positions in fiscal year 2007 and another 50 positions in fiscal year 2009. In turn, this would likely result in a loss to the state of nearly $20 million in foregone tax compliance revenues.

The department is willing to provide any information and welcomes further public discussions on its budget and, more important, on the challenges it confronts in making "the revenue system work well for Minnesota."

Respectfully,

Ward Einess
Commissioner of Revenue

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Agency Purpose

The Department of Revenue's mission is to "make the state's revenue system work well for Minnesota." Its tax information, filing and paying services, and its enforcement activities help ensure that citizens have the information and means to fulfill their tax obligations.

Core Functions

The Department of Revenue oversees Minnesota's revenue system, which is made up of 28 state taxes and property taxes collected by local governments. State taxes include individual income, sales, corporate franchise, petroleum, environmental, gambling, cigarette and tobacco, alcohol, insurance and health care provider taxes.

The Department collects approximately $15.5 billion per year in state taxes, and oversees the uniform application of the property tax laws. Property taxes, which are administered by local governments, raise $6 billion annually for Minnesota's communities. The Department also pays out over $1 billion in state aid to counties, cities, towns and special taxing districts through 32 different state programs.

The Department's six goals are:

⇒ **Achieve taxpayer compliance:** everyone pays the right amount of taxes, no more, no less.

⇒ **Citizen satisfaction:** citizens have the services and information they need to meet their obligations and to be informed about the revenue system.

⇒ **Customer satisfaction:** filing, paying and refund systems for taxpayers are fast, convenient, easy to use, secure and accurate.

⇒ **Operational excellence:** the revenue system keeps pace with changes in the economy and technology.

⇒ **Responsible stewardship of information:** taxpayers trust us to protect their data.

⇒ **Employee excellence:** employees perform meaningful and challenging work, and have opportunities to learn and grow.

In support of these goals, we carry out the following core functions:

- interpreting the law and informing taxpayers of their obligations and rights;
- providing taxpayers with the services and information they need to meet their filing and paying obligations;
- processing returns and payments, issuing refunds, and managing taxpayer accounts;
- auditing to resolve discrepancies, discourage tax evasion, and identify levels and patterns of noncompliance;
- enforcing the tax laws for those who do not comply voluntarily; and
- identifying and recommending improvements to the revenue system.

Service, Audit and Enforcement Operations

The Department has five major business activities that focus on service, audit and enforcement operations. These are:

⇒ **Individual taxes** which serves 3.5 million individual income taxpayers, 162,500 businesses that withhold income tax, and 626,000 property tax refund applicants.

⇒ **Business taxes** which serves 256,000 sales tax permit holders and 52,000 corporate franchise taxpayers. This program also administers the S corporation, partnership, fiduciary and estate taxes; petroleum taxes; and special taxes, including alcohol, tobacco, environmental, gambling, insurance, mining and MinnesotaCare taxes.

At A Glance

We serve:

- 3.5 million individual taxpayers
- 162,500 withholding taxpayers
- 500,000 taxpayers that remit corporate, sales and use, fiduciary and other taxes
- 3,200 local units of government

We respond to:

- Over 508,000 callers
- 28,500 e-mails

We process:

- 2.5 million income tax returns
- 1.6 million business tax returns
- 4.6 million tax payments
- 2.5 million tax refunds

We collect:

- $15.5 billion in tax revenues and other revenue sources
- $43.5 million from 142,000 offsets against state refunds

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⇒ **Collections** which manages tax and non-tax debt collection on behalf of the department and other clients, including state agencies and other public entities. Services include locating and contacting debtors, billing, monitoring payment plans, locating and evaluating assets, issuing liens and levies, and seizing assets.

⇒ **Criminal investigations** which probes possible tax crimes and refers cases to prosecutors; trains auditors and collectors to deal with threats from menacing taxpayers and acts as a liaison with local, state, and federal law enforcement.

⇒ **Property Tax** which monitors local assessor performance, ensures uniform application of Minnesota's property tax laws, gathers property tax data and computes state aid payments to local governments.

Tax Compliance Support Operations

The Department also has four major business activities that support tax auditing and enforcement operations. These are:

⇒ **Information technology** activities which include strategic planning for developing and integrating technologies and systems into business operations; computer systems development; software management; and oversight and maintenance of the agency's computer network, systems and equipment.

⇒ **Tax filing and payment** which processes close to nine million tax returns and payments, and issues 2.5 million refunds annually; it also issues tax identification numbers to businesses, manages taxpayer accounts and ensures the security of taxpayer records.

⇒ **Appeals and Legal Services and Tax Research** activities include providing legal support to the agency and resolving disputes between the department and taxpayers; and forecasting revenue sources and aid expenditures for the state budget, and developing revenue estimates for proposed tax legislation.

⇒ **Administrative support** which provides mail distribution and receiving services; forms design, public information, web site management and printing services; financial management; human resource management; and other administrative functions on behalf of the department. These functions support tax auditing and enforcement operations.

Budget

The department's budget in 2006-2007 totals $217 million. Department staff includes 1,189 full-time equivalent employees. Of the total budget for the biennium, $204 million (94%) comes from General Fund tax dollars, $8 million (4%) comes from dedicated funds and $4.7 million (2%) comes from special revenue funds for administering the Local Option Sales Tax and Revenue Recapture Program.

Contact

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	98,272	102,070	102,070	102,070	204,140
Recommended	**98,272**	**102,070**	**118,957**	**118,224**	**237,181**
Change		0	16,887	16,154	33,041
% Biennial Change from 2006-07					18.4%
Health Care Access					
Current Appropriation	1,654	1,654	1,654	1,654	3,308
Recommended	**1,654**	**1,654**	**1,680**	**1,707**	**3,387**
Change		0	26	53	79
% Biennial Change from 2006-07					2.4%
Highway Users Tax Distribution					
Current Appropriation	2,097	2,097	2,097	2,097	4,194
Recommended	**2,097**	**2,097**	**2,125**	**2,154**	**4,279**
Change		0	28	57	85
% Biennial Change from 2006-07					2%
Environmental					
Current Appropriation	291	291	291	291	582
Recommended	**291**	**291**	**295**	**299**	**594**
Change		0	4	8	12
% Biennial Change from 2006-07					2.1%
Expenditures by Fund					
Direct Appropriations					
General	93,894	109,932	118,957	118,224	237,181
Health Care Access	1,534	1,774	1,680	1,707	3,387
Highway Users Tax Distribution	2,028	2,166	2,125	2,154	4,279
Environmental	210	372	295	299	594
Open Appropriations					
General	1,688	2,200	1,900	1,900	3,800
Statutory Appropriations					
Misc Special Revenue	2,382	3,755	2,433	2,433	4,866
Total	**101,736**	**120,199**	**127,390**	**126,717**	**254,107**
Expenditures by Category					
Total Compensation	78,862	87,560	89,325	91,868	181,193
Other Operating Expenses	21,783	31,849	37,275	34,059	71,334
Capital Outlay & Real Property	967	665	665	665	1,330
Local Assistance	124	125	125	125	250
Total	**101,736**	**120,199**	**127,390**	**126,717**	**254,107**
Expenditures by Program					
Tax System Management	83,448	98,966	106,130	104,448	210,578
Debt Collection Management	18,288	21,233	21,260	22,269	43,529
Total	**101,736**	**120,199**	**127,390**	**126,717**	**254,107**
Full-Time Equivalents (FTE)	**1,226.0**	**1,237.8**	**1,281.1**	**1,280.1**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**102,070**	**102,070**	**102,070**	**204,140**
Subtotal - Forecast Base	**102,070**	**102,070**	**102,070**	**204,140**
Change Items				
Tax Compliance Initiative	0	4,330	5,907	10,237
Integrated Tax System	0	10,000	6,000	16,000
County Recorder and Registrar Fees	0	900	900	1,800
Compensation Adjustment	0	1,657	3,347	5,004
Total Governor's Recommendations	**102,070**	**118,957**	**118,224**	**237,181**
Fund: HEALTH CARE ACCESS				
FY 2007 Appropriations	**1,654**	**1,654**	**1,654**	**3,308**
Subtotal - Forecast Base	**1,654**	**1,654**	**1,654**	**3,308**
Change Items				
Compensation Adjustment - Other Funds	0	26	53	79
Total Governor's Recommendations	**1,654**	**1,680**	**1,707**	**3,387**
Fund: HIGHWAY USERS TAX DISTRIBUTION				
FY 2007 Appropriations	**2,097**	**2,097**	**2,097**	**4,194**
Subtotal - Forecast Base	**2,097**	**2,097**	**2,097**	**4,194**
Change Items				
Compensation Adjustment - Other Funds	0	28	57	85
Total Governor's Recommendations	**2,097**	**2,125**	**2,154**	**4,279**
Fund: ENVIRONMENTAL				
FY 2007 Appropriations	**291**	**291**	**291**	**582**
Subtotal - Forecast Base	**291**	**291**	**291**	**582**
Change Items				
Compensation Adjustment - Other Funds	0	4	8	12
Total Governor's Recommendations	**291**	**295**	**299**	**594**
Fund: GENERAL				
Planned Open Spending	**2,200**	**1,900**	**1,900**	**3,800**
Total Governor's Recommendations	**2,200**	**1,900**	**1,900**	**3,800**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**3,755**	**2,433**	**2,433**	**4,866**
Total Governor's Recommendations	**3,755**	**2,433**	**2,433**	**4,866**

Revenue Change Items

Fund: GENERAL				
Change Items				
Tax Compliance Initiative	0	20,850	30,350	51,200

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Program Description

The tax system management program provides the infrastructure that enables the revenue system to work well for Minnesota. This infrastructure includes tax information services, filing and paying services and enforcement activities. It helps ensure that citizens have:

- The information and means they need to easily and conveniently fulfill their tax filing and paying obligations.
- The confidence that everyone is paying the proper amount of taxes, no more or no less.
- Accurate, impartial and complete information to make informed decisions about the structure and operation of the state revenue system.

Budget Activities

- Administrative Support
- Appeals, Legal Services and Tax Research
- Property Tax Administration and State Aid
- Tax Payment and Return Processing
- Technology Development, Operations and Support
- Tax Compliance and Enforcement (Individual and Business Taxes)

Operating Environment Issues

In this biennium, the agency will continue to face several major challenges that have developed in the wake of sweeping and rapid changes in the economy, the job market, demographics, and technology.

Demographic changes

The agency continues to face the challenge of delivering services to a more diverse population, especially to those with limited English speaking skills. To help non-English speakers become full participants in Minnesota's revenue system, the agency must expand its services beyond the specialized outreach programs it now offers.

Between 2000 and 2015, Minnesota's Hispanic population is expected to increase by 98%, and 184% by 2030 -- nearly three times its 2000 level. Minnesota's Asian population is projected to climb 121%, and its African American population will jump 115%. In comparison, the growth rate for Minnesota's Caucasian population is 27%.

Eroding state revenues

State revenue systems are challenged by the globalization of commerce, the growth of the digital economy, the aging of the population, the transformation of the telecommunication industry from desk-based to integrated-mobile systems, and the growth in federal preemptions of state tax laws. Responding to these challenges requires a concerted effort to identify key economic, demographic and technological factors faster; to measure their effect on state tax collections, and to develop tax policy options that respond to the changes.

The trend toward globalization and digitalization of the economy is clear. According to Jupiter Research, about 30% of U.S. households made purchases online in 2004; that number is expected to grow to 50% by 2008. Most online purchases escape the state sales tax and contribute to the growing tax gap.

The aging of Minnesota's population will also take its toll on the revenue system. Between 2000 and 2030, the growth rate in the elderly population is expected to climb 117%. With retirements, come economic shifts: more income is exempt from the income tax, and purchasing patterns shift from goods to services. These shifts will reduce state revenues.

Other developments will continue to weaken state revenue systems. In particular, the rapid changes in technology are rendering many of the state's traditional gross receipt taxes on telephone and utility services obsolete.

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Increased challenges to state tax laws by businesses and individuals
More and more, businesses are minimizing taxes through tax shelters and challenges to state tax laws. Some tax law and accounting firms solicit clients by offering to reduce or eliminate their taxes through challenges to tax laws and the agency's interpretations.

Increasingly complex tax laws
Minnesota's tax laws have grown increasingly complex. Due to the addition of many credits and deductions, plus legislative decisions not to fully conform to federal changes, Minnesota has gone from a simple one-page tax form to a complex two-page form requiring a host of schedules and worksheets. Similarly, the number of sales tax exemptions has almost doubled – from 88 in 1995 to 153 in 2006. Growing complexity increases demand for taxpayer information and support, and results in more difficult and time-consuming audits.

Outdated and inefficient computer systems
The agency now maintains more than 142 computer applications on 11 different platforms for the 28 state taxes it collects. A more integrated tax system would consolidate functions common to all tax systems and better integrate data from all tax types. The result would increase productivity, improve quality and availability of electronic services to taxpayers, and increase revenues generated from audits. This effort would lessen the risk of obsolete systems failing and would reduce the high costs of maintaining these older, separate systems.

Internet commerce has grown dramatically over the last several years, and citizens expect similar services from government. The agency's major challenge is to continue to develop information systems that take advantage of the new technology while maintaining traditional paper-based systems for those who need them.

Steep competition for accountants
There is currently steep competition among all employers for entry-level accountants. This competition was spurred by the passage of the federal Sarbanes Oxley law in 2002 which created tough new record keeping and reporting requirements for public companies. According to the Job Outlook 2005 survey by the National Association of Colleges and Employers, accounting majors are the most sought-after graduates. USA Today also reported that in the last three months of 2004 the demand for accountants grew nearly five times faster than the rate of growth for all other jobs. The Minnesota job market mirrors the national pattern.

The high demand for accountants has resulted in exceedingly high turnover rates, especially among newly hired employees. Overall, about one out of every three exits the agency within one to three years. The departure of newly hired employees diminishes the agency's ability to generate revenue and improve compliance in two ways. First, studies show that more experienced employees generate dramatically more revenue than their less experienced peers. Secondly, the ongoing hiring, training and mentoring of new employees diverts supervisors and senior employees from performing revenue generating audit activities.

Aging workforce
In the next five years, nearly 250 employees, or approximately one-fifth of the agency's staff, will reach retirement age; replacing their collective experience and knowledge will be extremely difficult. Although the agency has hired younger employees for special projects and new tax enforcement initiatives, retaining them in a competitive and shrinking labor market has been especially challenging.

The agency is pursuing several means to retain employees. These include examining the competitiveness of salaries, improving reward and recognition programs, providing learning and professional growth opportunities, and paying attention to life/work balance issues important to employees.

The threat of workplace disruptions
Due to potential pandemics, terrorist attacks, or natural disasters, the agency needs to continually plan for the continuation of critical services or functions and the back-up of essential records in the event of the destruction of facilities or the temporary absence of a major portion of the workforce.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	81,340	83,979	83,979	83,979	167,958
Subtotal - Forecast Base	81,340	83,979	83,979	83,979	167,958
Governor's Recommendations					
Tax Compliance Initiative		0	3,455	4,352	7,807
Integrated Tax System		0	10,000	6,000	16,000
County Recorder and Registrar Fees		0	900	900	1,800
Compensation Adjustment		0	1,337	2,698	4,035
Total	**81,340**	**83,979**	**99,671**	**97,929**	**197,600**
Health Care Access					
Current Appropriation	1,654	1,654	1,654	1,654	3,308
Subtotal - Forecast Base	1,654	1,654	1,654	1,654	3,308
Governor's Recommendations					
Compensation Adjustment - Other Funds		0	26	53	79
Total	**1,654**	**1,654**	**1,680**	**1,707**	**3,387**
Highway Users Tax Distribution					
Current Appropriation	2,097	2,097	2,097	2,097	4,194
Subtotal - Forecast Base	2,097	2,097	2,097	2,097	4,194
Governor's Recommendations					
Compensation Adjustment - Other Funds		0	28	57	85
Total	**2,097**	**2,097**	**2,125**	**2,154**	**4,279**
Environmental					
Current Appropriation	291	291	291	291	582
Subtotal - Forecast Base	291	291	291	291	582
Governor's Recommendations					
Compensation Adjustment - Other Funds		0	4	8	12
Total	**291**	**291**	**295**	**299**	**594**
Expenditures by Fund					
Direct Appropriations					
General	77,368	90,973	99,671	97,929	197,600
Health Care Access	1,534	1,774	1,680	1,707	3,387
Highway Users Tax Distribution	2,028	2,166	2,125	2,154	4,279
Environmental	210	372	295	299	594
Statutory Appropriations					
Misc Special Revenue	2,308	3,681	2,359	2,359	4,718
Total	**83,448**	**98,966**	**106,130**	**104,448**	**210,578**
Expenditures by Category					
Total Compensation	64,261	71,280	72,372	73,926	146,298
Other Operating Expenses	19,059	27,561	33,633	30,397	64,030
Capital Outlay & Real Property	4	0	0	0	0
Local Assistance	124	125	125	125	250
Total	**83,448**	**98,966**	**106,130**	**104,448**	**210,578**

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Activity					
Administrative Support	4,553	4,300	4,169	4,236	8,405
Legal & Tax Policy	3,992	4,533	4,409	4,558	8,967
Tax Filing & Payments	12,506	15,180	14,023	14,336	28,359
Tax Compliance & Enforcement	47,310	52,770	53,916	55,464	109,380
Technology Dev & Support	12,496	19,475	26,055	22,246	48,301
Property Tax Admin & State Aid	2,591	2,708	3,558	3,608	7,166
Total	**83,448**	**98,966**	**106,130**	**104,448**	**210,578**
Full-Time Equivalents (FTE)	**988.9**	**987.6**	**1,021.3**	**1,011.7**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$10,000	$6,000	$6,000	$6,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$10,000	$6,000	$6,000	$6,000

Recommendation

The Governor recommends the purchase of an integrated tax system software product that supports all tax processing, enforcement and reporting functions performed by a tax agency. It consolidates taxpayer or business registration, tax return and payment processing, accounting, auditing, delinquent tax collection and reporting functions of the 28 tax types administered by the agency into a single system. The system would replace the aging, fragmented patchwork of systems that now exist for each type of tax.

Background

The department's current environment can be characterized as:

⇒ Multiple applications for separate tax types that perform the same business processes.
⇒ Escalating operational costs to support and maintain multiple technologies, platforms, and development languages; some of which have been in use since 1968.
⇒ Numerous aging mission critical systems, which must be replaced within the next five years (just replacing two systems, Supra and FoxPro, will cost about $7 to $9 million with no gain in functionality or efficiency).
⇒ Lagging ability to respond to taxpayers needs for services and information.
⇒ An inability to respond to the needs of department employees for easy access to meaningful, comprehensive information from a single source.
⇒ Employees needing to learn different systems upon transfer or promotion to another tax type.
⇒ A growing risk of system disruptions or failures as employees with highly-specialized skills and knowledge of legacy systems retire.
⇒ A lack of systems, information and analytical tools to more effectively improve tax compliance.

Advantages of an Integrated Tax System

A commercial off-the-shelf Integrated Tax System provides the following benefits:

⇒ Accurate, timely and complete information from a single system and more comprehensive data for making more informed business decisions.
⇒ Provides citizens and employees with a single source of information; eliminating the need to seek information from multiple sources.
⇒ Permits taxpayers to directly access tax account information from one source and the department to greatly expand and enhance services to those taxpayers.
⇒ Substantial mitigation of the risk of system failures and disruptions; estimated delivery of the Registration, Processing, Compliance, and Collection modules for 28 tax types will be completed within four years.
⇒ Reduces costs to maintain systems and has built-in capabilities for future enhancements.
⇒ Provides the same functionality for all the tax types, and easier implementation of new taxes.
⇒ Enhances capabilities to detect non-compliance and increases tax collections without raising taxes.
⇒ Significant revenue increases and operational savings based on the experience of other states that implemented integrated tax systems.

Besides purchasing a commercial off-the-shelf product, the department considered in-house development and upgrading the current systems to today's technical standards. The commercial off-the-shelf product was favorable to the in-house development option due to the length of time it would take to build a DOR developed

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integrated tax system - over 10 years. The option of bringing current systems up to today's technical standards was not favorable because it would cost just as much as a commercial off-the-shelf product integrated tax system and DOR would not gain any efficiencies or new abilities.

Relationship to Base Budget

The funding needed to purchase a commercial off-the-shelf product, the related services and hardware is currently estimated to be $39 million over a four-year span. The department is able to redirect $11 million of existing technology development funds toward the project. The remaining funds - $28 million – will require a new appropriation of $16 million in the 2008-09 biennium and $12 million in the 2010-11 biennium. Base funding for the Tax System Management program is $168 million in FY 2008-09. These funds would increase the total program to $184 million for the 2008-09 biennium (an increase of 9.5%).

Key Measures

Two key quantifiable performance measures for this change item.

- Enforcement Revenue Growth
- Audit Revenue Growth

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Hardware	$600	0	0	0	0	0
Software	$3,000	$600	$600	$600	0	0
Facilities	0	0	0	0	0	0
Services	$6,400	$5,400	$5,400	$5,400	0	0
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	**$10,000**	**$6,000**	**$6,000**	**$6,000**	**0**	**0**

Statutory Change: Not Applicable

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Activity Description

This activity provides overall direction to the agency. Its services include human resource management, facilities and contracts management, budget planning, financial and performance reporting, tax policy development, and tax publication and informational services for taxpayers and employees.

Population Served

This activity serves the state's 3.5 million individual income tax filers and 614,000 registered businesses, the department of Revenues' nearly 1,200 employees and state policymakers, including the governor and legislature.

Services Provided

The administrative support activity includes six major categories of services:

Activity at a Glance

- Write and design more than 300 tax forms and instruction booklets
- 20.5 million pieces printed and mailed
- 154,000 forms and instructions for individual income tax downloaded from web site in April 2006
- 9,500 pages of information available on web site
- Over 790 cases resolved each year by the Taxpayer's Advocate Office
- Manages facilities for nearly 1,200 employees in 16 locations
- Manages 92 contracts amounting to over $7 million

Human resource management serves department managers, supervisors and employees in staffing, recruitment and selection; job classification; labor relations; policy administration and consultation; performance evaluation; compensation and benefits administration; personnel transactions; personnel records; workforce planning; and employee training and development.

Facilities management services include building security, office space planning and general building services.

Financial reporting and contract management services include coordinating the department's biennial budget and annual spending plans; monitoring annual budget plans; preparing financial reports; overseeing all budget and accounting functions for the department's operating budget; ensuring that adequate financial controls are in place; and conducting internal audits to ensure the integrity of internal financial and operating systems. Services also include the development of performance measures for the agency's activities; preparation of financial reports; transferring of funds to other agencies or funds; equipment, supplies and professional and technical service procurement; and negotiation of leases for the department's facilities.

Tax forms and informational services activities include forms and instruction design for individual and business taxes; web site design, maintenance and oversight; publication and report design and editing; printing coordination for all of the department's publications, including forms and instructions; media relations; and internal communications.

Management leadership activities provide direction to the agency's work units through business planning, which includes the development of the agency's strategic plan, strategic information systems management plan, biennial budget, division business plans, and annual spending plans. It ensures that the agency's resources, support systems and training systems are aligned with the direction set through the business planning process. It also monitors agency performance through the development and use of performance measurements.

Tax policy support activities develop policies for all tax types; identify obstacles in taxpayer compliance with tax laws; and identify unclear, ambiguous or conflicting provisions of tax laws. It also develops proposals to improve tax law understandability, fairness, ease of compliance and administration.

Historical Perspective

This activity provides informational services to taxpayers and policy makers and support to tax compliance functions within the agency. Specifically, it faces the following challenges:

- an increasing exodus of experienced, knowledgeable workers;
- a more linguistic and culturally diverse population;

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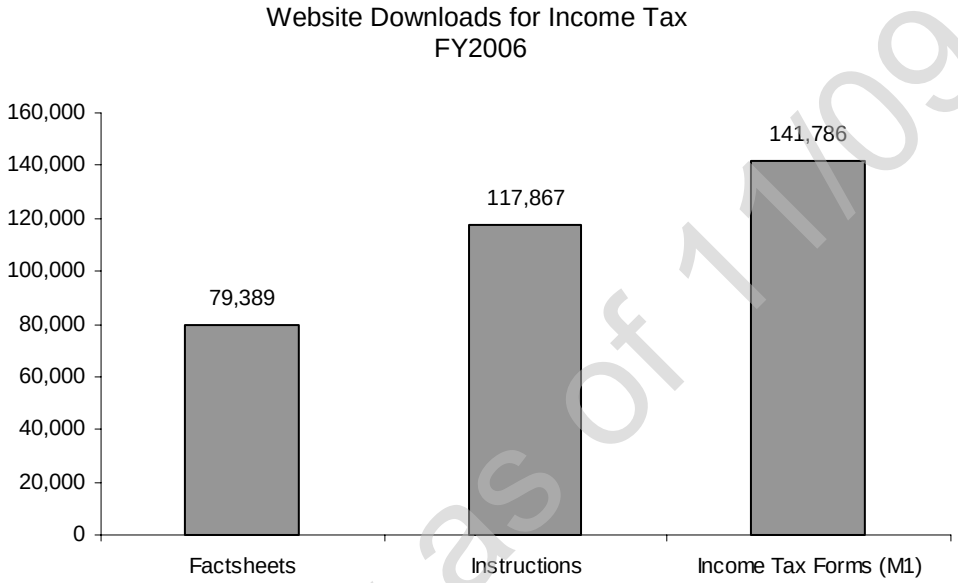
- higher service expectations;
- the growing erosion of the state tax structure; and
- the threat of workplace disruptions

Key Measures

Taxpayers are relying heavily on the department's web site to obtain income tax forms, instructions and fact sheets.



Activity Funding

The administrative support budget activity constitutes 4.1% of the department's budget. Of the total budget for the biennium for the administrative support budget activity, $8.7 million (97%) comes from General Fund tax dollars, $157,000 (2%) comes from dedicated funds and $68,000 (1%) comes from special revenue funds for administering the Local Option Sales Tax and the Revenue Recapture program.

Contact

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	4,458	4,160	4,056	4,122	8,178
Health Care Access	61	95	79	80	159
Statutory Appropriations					
Misc Special Revenue	34	45	34	34	68
Total	**4,553**	**4,300**	**4,169**	**4,236**	**8,405**
Expenditures by Category					
Total Compensation	3,967	3,432	3,387	3,454	6,841
Other Operating Expenses	586	868	782	782	1,564
Total	**4,553**	**4,300**	**4,169**	**4,236**	**8,405**
Full-Time Equivalents (FTE)	**56.1**	**40.7**	**40.5**	**40.4**	

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Activity Description

This activity includes legal and legislative services, tax appeal services and tax research services.

Population Served

Taxpayers, tax administrators, legislators and staff, tax professionals, public policymakers, local elected officials, state agencies, local governments, nonprofit organizations, businesses, and professional and trade associations.

Activity at a Glance

In fiscal year 2006, this activity:

- Prepared 16 revenue notices and spent over 3,200 hours on preparing or analyzing legislative bills and over 7,600 hours providing legal advice to the agency
- Completed about 1,796 administrative appeals
- Developed nearly 300 formal revenue estimates

Services Provided

Legal Services

⇒ Provides in-house legal counsel and conducts legal analysis and research of tax laws and policies.
⇒ Provides updated information on law changes and court decisions to taxpayers, business trade organizations, and tax practitioner groups.
⇒ Works with legislators, legislative staff, taxpayers, and practitioner groups in drafting legislation, interpreting tax laws and providing expert testimony at hearings.
⇒ Drafts rules and revenue notices that announce the department of Revenues' interpretation of tax laws.
⇒ Provides support to the Attorney General's staff in tax litigation.
⇒ Monitors federal tax changes that affect Minnesota's tax system.
⇒ Negotiates and oversees state tax agreements with tribal governments.

Appeal Services

⇒ Resolves taxpayer disputes over tax audit assessments and denials of tax refunds. It is an independent, impartial work unit that offers taxpayers an informal and inexpensive alternative to litigation in resolving disputes.

Tax Research Services

⇒ Forecasts revenues from various taxes and property tax aids and credits for the state's November and February forecasts.
⇒ Develops the state's official revenue estimates and analyses for proposed state tax legislation and the impact of federal law changes.
⇒ Prepares legislatively mandated studies and reports, including the *Minnesota Tax Incidence Study* and the *Minnesota Tax Expenditure Budget.*
⇒ Develops databases and tax simulation models for use by the legislature and the executive branch for revenue forecasting and for evaluating the effect of tax proposals.
⇒ Assists in measuring tax compliance and identifying data sources for detecting noncompliance.
⇒ Disseminates economic and tax information to legislative staff, administration officials, executive branch officials, businesses, associations, nonprofit groups, all of the agency's divisions, and the public.
⇒ Maintains an in-house library for tax research and the study of tax laws.

Historical Perspective

This activity continues to face high demand for its services due to the growing complexity of tax laws, the fast pace of state and federal tax law changes, increased challenges to tax laws, expanded compliance activities in all major tax types and numerous law proposals that require revenue estimates, drafts of legislation, and legal analysis.

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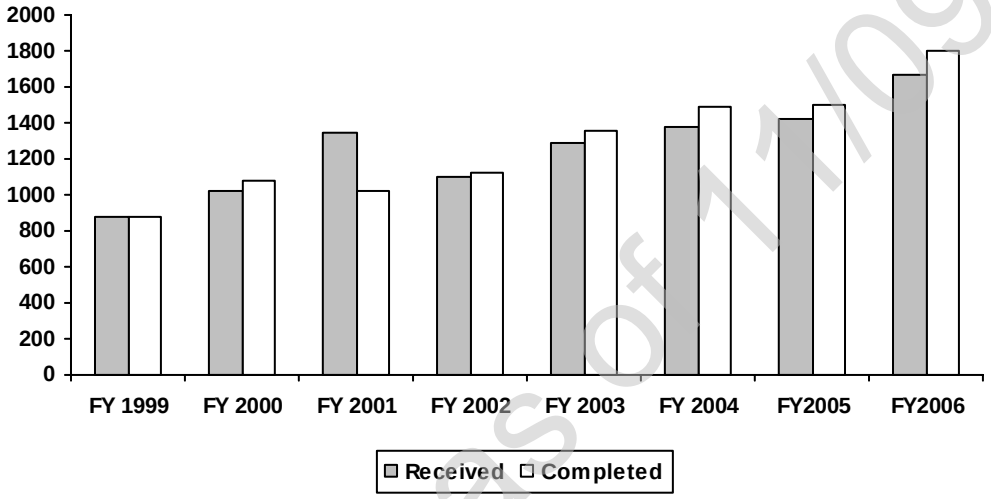
Key Measures

Legal: In FY 2002, the department published 20 revenue notices, which advise taxpayers on how tax laws will be administered. In FY 2003, 23 were published; in FY 2004, 23; in FY 2005, 19; and in FY 2006, 16. Revenue notices are one measure of the legal counsel provided by legal staff.

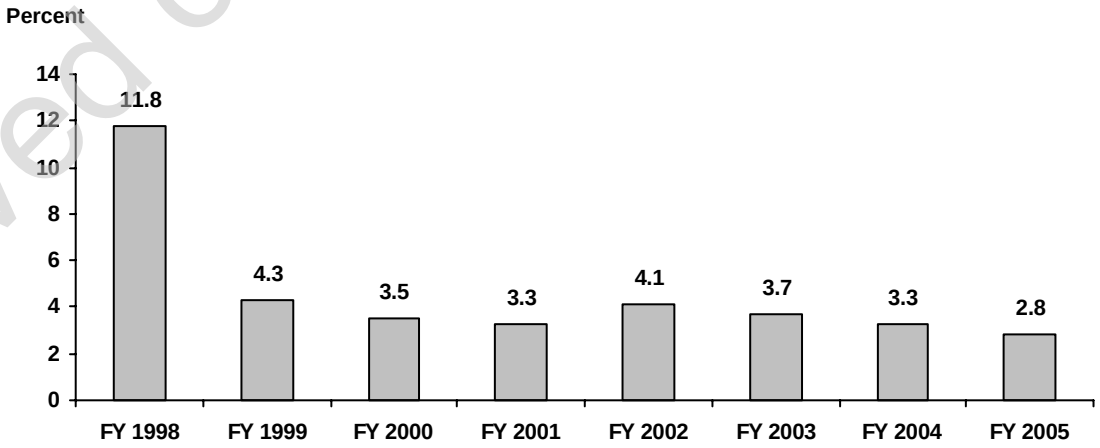
Appeals: The number of administrative appeals continues to increase as a result of the department's expanded compliance activities and the increased complexities to the tax laws.

Administrative Appeals Received and Completed



Taxpayers are becoming more assertive in challenging state tax laws. However, this activity attempts to resolve many of these challenges through a low-cost dispute resolution process rather than a formal, higher cost litigation process. The number of cases that are subsequently appealed to tax court is used to measure the effectiveness of the taxpayer dispute resolution process.

Percent of Administrative Appeals
Subsequently Appealed to Tax Court



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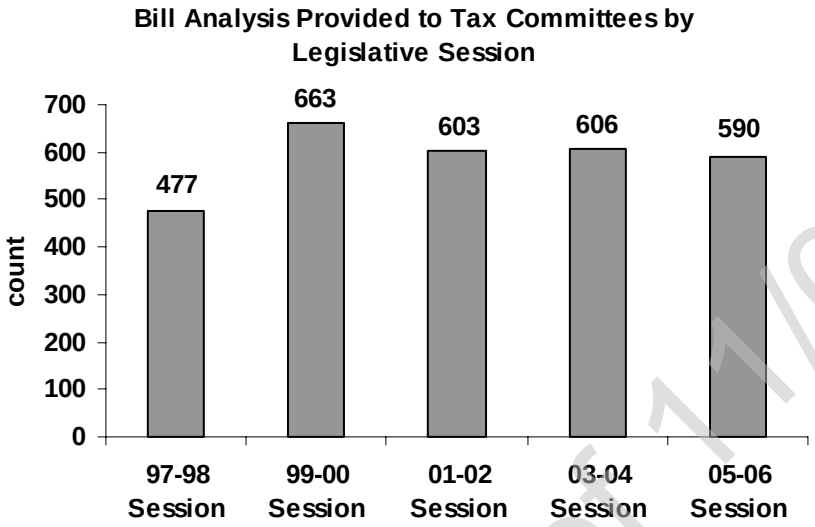
Research: The number of bill analyses prepared by the Research Division in connection with tax legislation has remained at a high level. This activity is the largest resource management issue for the division.



Activity Funding

This activity's biennial budget is $8.2 million, or about 3.8% of the department's total budget. Of the total budget for the biennium for the legal and research budget activity, $7.8 million (95%) comes from General Fund tax dollars, $323,000 (4%) comes from dedicated funds and $ 76,000 (1%) comes from special revenue funds for administering the Local Option Sales Tax program.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	3,795	4,239	4,207	4,353	8,560
Health Care Access	159	162	164	167	331
Statutory Appropriations					
Misc Special Revenue	38	132	38	38	76
Total	**3,992**	**4,533**	**4,409**	**4,558**	**8,967**
Expenditures by Category					
Total Compensation	3,492	3,811	3,887	4,033	7,920
Other Operating Expenses	500	722	522	525	1,047
Total	**3,992**	**4,533**	**4,409**	**4,558**	**8,967**
Full-Time Equivalents (FTE)	**45.0**	**44.3**	**44.8**	**45.5**	

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Activity Description

This activity processes all state electronic and paper filed tax returns and payments; issues tax refunds; and manages taxpayer records. It also establishes tax accounts for new businesses, updates taxpayer records for changes, including address changes, and offsets income tax refunds for tax and non-tax debts owed to state agencies and local units of government.

Activity at a Glance

- Processes 2.5 million income tax returns annually
- Processes over 1.5 million business tax returns and 90,000 business income tax returns
- Processes 4.6 million payments
- Issues 2.5 million refunds
- Registered 37,000 new businesses in FY 2006
- Receives and sorts over four million pieces of incoming mail annually

Population Served

- 3.5 million individual income taxpayers who file 2.5 million individual income tax returns
- 165,000 employers and 300 third-party bulk filers who remit income tax withholding payments
- 626,000 property tax refund applicants
- 256,000 businesses that collect and remit sales and use tax
- 58,000 corporations and 145,000 S corporations and partnerships that pay corporate franchise and income taxes
- 50,000 fiduciary income taxpayers
- 1,800 estate taxpayers who pay and submit $213 million in estate taxes
- 700 petroleum product distributors who pay $700 million in gasoline, special and aviation fuel taxes and various fees
- 70 cigarette and 146 tobacco distributors who remit $400 million in cigarette and tobacco taxes and fees
- 37 wine and eight liquor distributors, 100 brewers and beer importers, and 17 alcohol commercial carriers, who pay approximately $65 million in liquor, wine and beer taxes
- 2,112 insurance companies who pay $345 million in gross premium taxes
- 7,500 hospitals, health care providers and prescription drug wholesalers who collect approximately $360 million in health care taxes
- 1,500 organizations that conduct lawful gambling and 20 gambling equipment distributors who collect approximately $60 million in lawful gambling taxes
- 7,167 hazardous waste generators; 3,800 water quality and 2,100 air quality permit holders and 979 solid waste management services who collect approximately $80 million in solid waste taxes and fees
- six mining companies that pay approximately $93 million in taconite production taxes and $2 million in taconite and iron ore occupation taxes
- 230 dry cleaning facilities that pay dry cleaner taxes and three solvent distributors who pay approximately $487,000 in dry cleaner fees
- 25 furriers that pay $200,000 in fur clothing taxes
- 87 counties that remit approximately $298 million in deed and mortgage registry taxes
- 940 state and county agencies whose debts are collected through revenue recapture

Services Provided

This activity processes all electronic and paper state tax returns and payments. It services include:

- receiving and sorting over four million pieces of incoming mail annually
- scanning and imaging paper-filed individual income tax returns and correspondence
- recording and depositing tax payments
- verifying tax return accuracy
- auditing returns that exceed normal thresholds for credits, deductions and exemptions
- issuing refunds to individuals and businesses
- receiving and acknowledging electronic tax returns and payments

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- offsetting refunds for tax and non-tax debt owed to government entities
- issuing tax identification numbers to new businesses
- recording address and name changes to individual and business tax accounts
- procuring and dispensing cigarette tax stamps

Historical Perspective

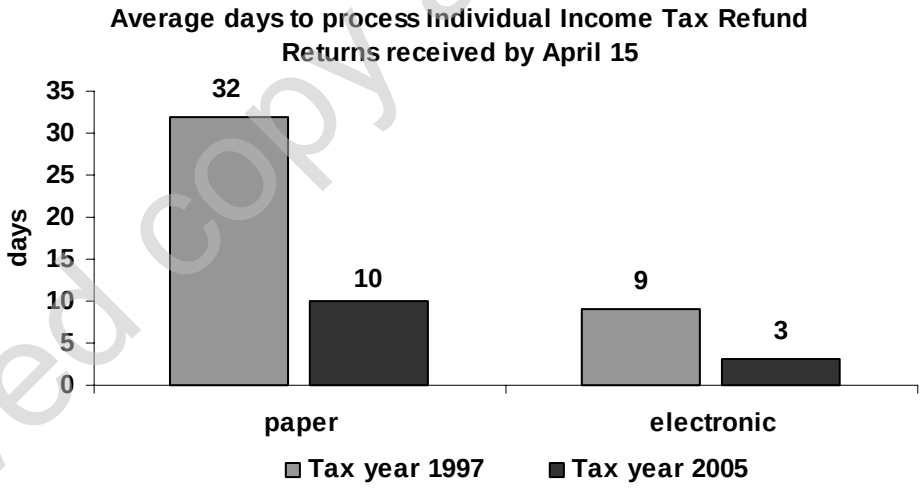
This activity continues to transform individual income tax and business tax filing and payment transactions from paper to electronic media. This activity now has in place:

- electronic filing systems for sales and use tax, withheld income taxes, fiduciary tax, unemployment compensation, partnerships, MinnesotaCare tax, and motor fuel taxes; and accepts payment for all tax types, including estimated individual income taxes;
- a web-based business registration system;
- a modernized individual income tax computer system that is regularly adding features that permit taxpayers to serve themselves;
- scannable individual income tax and property tax forms, which has eliminated the need for storage of paper returns.

In FY 2006, nearly 1.6 million individual income tax returns were filed electronically, and over 1.2 million tax refunds were issued within five days. Over 3.7 million business tax filing and payment transactions were processed electronically in FY 2006.

Key Measures

Average days to process individual income tax refund returns calculated from the date the return is received to the date the refund is issued.



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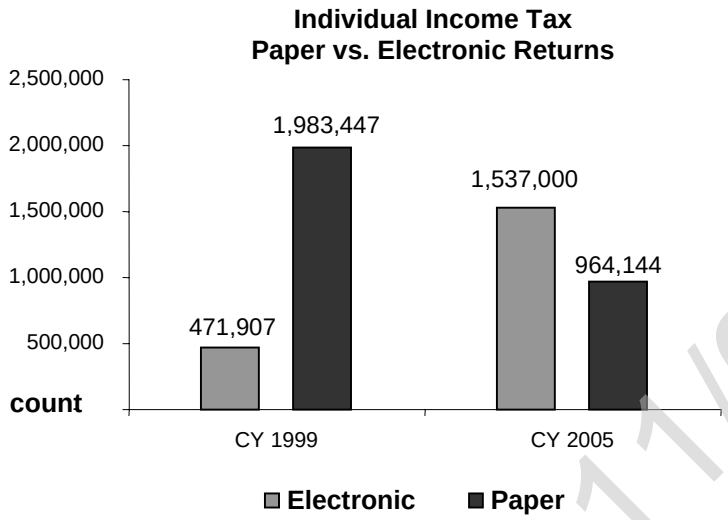

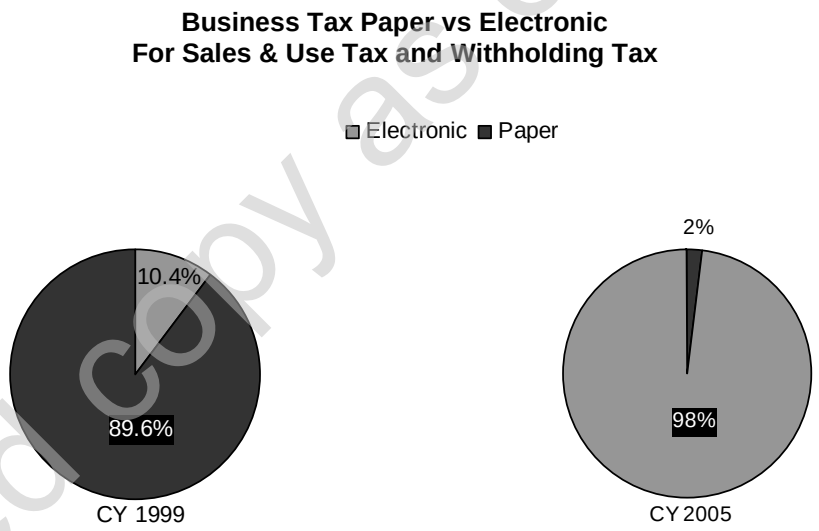

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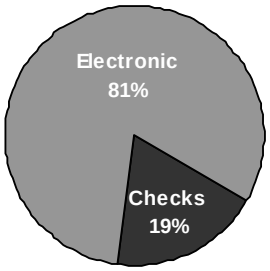
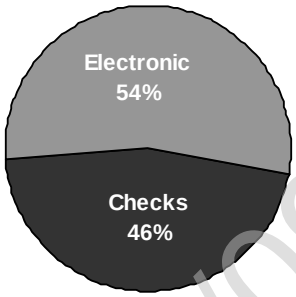
Taxpayer Payments by Dollars FY2006



Taxpayer Payments by Type - FY2006



Activity Funding

This activity's biennial budget is $26.2 million, or about 12.1% of the department's total budget. Of the total budget for the biennium for the Tax Filing and Payments budget activity, $25.0 million (95.2%) comes from General Fund tax dollars, $118,000 (.4%) comes from dedicated funding, and $1.1 million (4.4%) comes from special revenue funds for administering the Local Option Sales Tax and Revenue Recapture program.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	11,883	13,952	13,390	13,701	27,091
Health Care Access	53	66	61	63	124
Statutory Appropriations					
Misc Special Revenue	570	1,162	572	572	1,144
Total	**12,506**	**15,180**	**14,023**	**14,336**	**28,359**
Expenditures by Category					
Total Compensation	10,285	11,543	11,755	12,063	23,818
Other Operating Expenses	2,221	3,637	2,268	2,273	4,541
Total	**12,506**	**15,180**	**14,023**	**14,336**	**28,359**
Full-Time Equivalents (FTE)	**198.8**	**207.6**	**205.1**	**202.3**	

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Activity Description

The compliance activity administers and enforces Minnesota's 28 individual and business taxes. These taxes raise $15.5 billion annually, which amounts to 64% of the state's total revenue.

Activity at a Glance

- Respond to over 508,000 phone calls
- Perform 89,000 tax audits
- Provide tax forms, instructions, and other information to more than four million taxpayers
- Respond to 28,500 e-mail inquiries

Population Served

- 3.5 million individual income taxpayers
- 626,000 homeowner and renter property tax refund applicants
- 8,000 professional tax preparers
- 256,000 businesses that collect and remit sales and use tax
- 50,000 fiduciary and 1,800 estate taxpayers
- 162,500 employers that withhold tax and 221 third-party bulk withholding filers
- 58,000 corporations, 92,000 S corporations, and 53,000 partnerships
- 700 petroleum product distributors
- 70 cigarette and 146 tobacco distributors
- 37 wine and eight liquor distributors; 100 brewers and beer importers, and 17 alcohol commercial carriers
- 2,112 insurance companies
- 7,500 hospitals, health care providers, and prescription drug wholesalers
- 1,500 organizations that conduct lawful gambling, and 20 gambling equipment distributors
- 7,167 hazardous waste generators and 979 solid waste management service providers
- six iron ore mining companies
- 230 dry cleaning facilities
- 25 clothing furriers
- 4,000 unrelated business income tax (UBIT) filers
- 87 county treasurers and recorders
- County attorneys and other law enforcement agencies
- three certified service providers for Streamlined Sales Tax
- 1,800 individuals who file and pay consumer use tax
- 2,900 individuals and businesses who file sales and use tax refund claims
- 503 registered businesses who voluntarily collect and remit sales tax through the national Streamlined Sales Tax System

This activity also administers local option sales and use tax on behalf of 14 cities and one county.

Services Provided

This activity ensures that individuals and businesses pay the proper amount of tax by:

- informing taxpayers of their obligations and rights;
- providing paper and web-based forms and instructions;
- offering online access to free electronic income tax filing for low and modest income taxpayers, students, senior citizens and members of the armed forces;
- responding to e-mail, written and telephone inquiries;
- conducting audits to identify and resolve tax filing and payment discrepancies, identify non-residents and non-filers, detect tax evasion, and measure levels of compliance;
- interpreting laws and making recommendations for law changes; and
- providing training courses and seminars to businesses that collect and remit sales tax.

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Historical Perspective

The agency continues to rely on two landmark studies that measured the gap between the amount of tax paid and the amount that should have been paid. The first of the two studies, conducted in 2002, revealed a sales tax gap of about $500 million; that is expected to grow to $700 million by 2007. In 2004, the agency, in consultation with the State Demographer's Office and the Internal Revenue Service (IRS), conducted a study of the individual income tax, which revealed a gap of about $604 million. The agency is in the process of updating both studies, and expects to release the results during 2007 legislative session.

To help mitigate a state budget shortfall, the legislature appropriated $9.7 million to the agency in 2002-03 biennium to generate $60.1 million through stepped-up tax auditing and enforcement activities. Those efforts generated $97.2 million, or $37.1 million more than expected. The agency also received $12.8 million in the 2004-05 biennium to generate an added $59.8 million. This effort has generated $92.2 million, or $32.4 million more than anticipated. In the 2006-07 biennium, the legislature appropriated $17.8 million to generate $90.7 million. As of 7-1-2006, this effort has generated $40.7 million – or about $7.1 million ahead of the $33.6 million that the agency had expected to generate by this date. The fact that these expanded tax auditing and enforcement initiatives have yielded much more revenue than expected is further evidence of the substantial gap between the amount of tax paid and the amount that should be paid.

The increase in appropriations for stepped-up tax enforcement activities has been partially offset by budget cuts in all other agency activities, including those activities that provide direct support services to tax enforcement activities. Prior to 2002, about 48% of the agency's budget was devoted to tax enforcement, and the remaining 52% to tax processing and taxpayer services that promote voluntary compliance. As added funds have been appropriated for tax enforcement activities and budget cuts imposed on processing and service activities, the portion of the agency's budget now devoted to tax enforcement activities constitutes 65%, with the remaining 35% allotted to processing and service activities.

Although expanded tax compliance activities are generating substantial revenue, uncovering tax avoidance remains a difficult task. Here are some reasons why:

⇒ As businesses move from paper to electronic records and transactions, the agency's employees need more training to enable them to understand and access various computer systems to ensure the accuracy of the systems, as well as the transactions.

⇒ As businesses convert to electronic records, they are reducing the types of information included in the records. Therefore, less data is available for employees to review; increasing the difficulty of auditing taxpayer records.

⇒ Consolidations and mergers among businesses have resulted in the merging of computer systems, making it more difficult to identify transactions and determine who is responsible for paying the tax.

⇒ Globalization of commerce increases the number of transactions that cross state and national borders. As more transactions are made through mail-order firms and the Internet, it is more difficult and expensive for the activity to identify them and determine who is responsible for paying the taxes.

⇒ Significant growth in the state's economy has increased the number of retail businesses from 178,000 in 1995 to 256,000 in 2006 – or 44%. This growth limits the activity's ability to redirect resources from taxpayer support services to more direct tax enforcement activities. This growth has also increased the number of applications for capital equipment sales tax refunds that must be processed and audited.

⇒ Sales and use tax laws have not kept pace with changes in technology. Products such as musical recordings, software programs and books solely existed in the form of tangible personal property. Today these products are delivered electronically to customers, making it difficult for the agency to determine the taxability of the sale. Only a few court decisions have been rendered to guide the agency.

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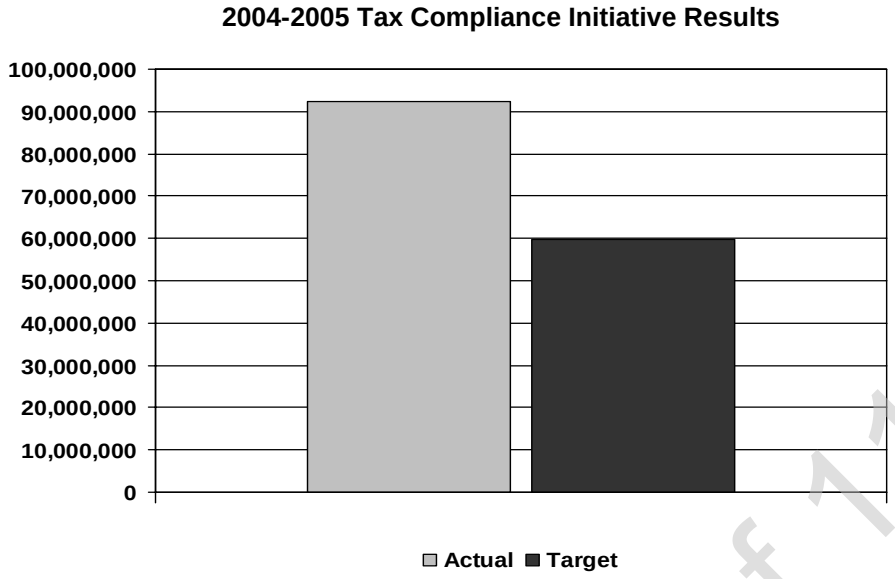
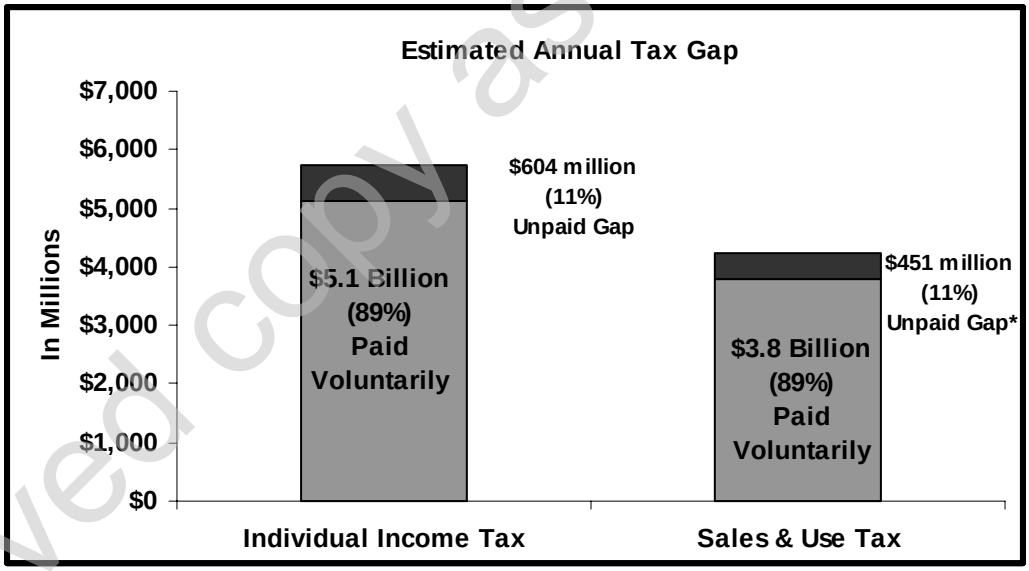
Key Measures



The dollars collected have exceeded our targeted goal, yielding $92.2 million, which was $32.4 million over the target for the FY 2004-05 biennium.



Activity Funding

This activity's biennial budget is $99.3 million, or about 45.8% of the department's total budget. Of the total budget for the biennium for the tax compliance budget activity, $90.3 million (90.9%) comes from General Fund tax dollars, $7.3 million (7.3%) comes from dedicated funds, and $ 1.7 million (1.8%) comes from special revenue funds for administering the Local Option Sales Tax and Cigarette Stamp account activities.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	42,953	47,488	49,327	50,850	100,177
Health Care Access	1,261	1,357	1,329	1,350	2,679
Highway Users Tax Distribution	2,028	2,057	2,039	2,039	4,078
Environmental	203	345	278	282	560
Statutory Appropriations					
Misc Special Revenue	865	1,523	943	943	1,886
Total	**47,310**	**52,770**	**53,916**	**55,464**	**109,380**
Expenditures by Category					
Total Compensation	36,111	41,996	42,559	43,380	85,939
Other Operating Expenses	11,071	10,649	11,232	11,959	23,191
Capital Outlay & Real Property	4	0	0	0	0
Local Assistance	124	125	125	125	250
Total	**47,310**	**52,770**	**53,916**	**55,464**	**109,380**
Full-Time Equivalents (FTE)	**572.3**	**582.9**	**611.9**	**605.2**	

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Activity Description

This activity oversees the development and maintenance of computer systems for all major state taxes administered by the department. It maintains more than 143 computer applications on 11 different platforms that serve more than 1,189 employees. It is responsible for strategic planning for integrating technologies and systems into the agency's business operations; computer systems development; information security and data privacy; continuity of operations; emergency planning; and for managing day-to-day maintenance of the agency's computer infrastructure, including the overall network, operating systems and equipment.

Activity at a Glance

- 1,189 employees served in 17 different office locations
- $14.5 million annual budget
- 143 computer applications on 11 different platforms
- 70% of total service and information for citizens is available on-line
- over four million electronic filing and payment transactions

Population Served

This activity serves policymakers, all citizens and businesses that interact with or are served by our tax systems, local units of government, other state agencies, and about 1,189 department employees.

Services Provided

The information technology activity is responsible for:

- strategic planning for aligning technologies and systems with the agency's business needs;
- systems planning, development, implementation and maintenance of computer applications;
- ensuring the security of all computer applications and privacy of data;
- ensuring that department information systems and networks are efficient, reliable, accessible and responsive;
- directing, coordinating and maintaining the continuity of operations (business continuation) and emergency response plans for the department;
- leadership of the agency business systems planning team, which is the department's process for aligning and integrating business needs with computer operations and systems;
- establishing and maintaining standards for computer architecture and technology; and
- monitoring investments in computer applications, projects and systems.

Historical Perspective

In the early 1990s, the department began transforming its tax processing from mainframe systems that supported internal, paper-based procedures to integrated, distributed, web-based electronic filing and paying systems. For taxpayers, these new systems mean faster, easier, and more convenient and accurate filing and paying. However, they are complex and more expensive to develop, maintain and support, in part because they must be available 24 hours a day, seven days per week.

To achieve this transformation, the department shifted funds from other activities in order to invest in technology. Since 1996, our annual information technology (IT) investments have increased 72%, from $9.3 million to $16 million. However, past funding reductions have reduced this activity's budget by about $2 million, or 7%. This has restricted the agency's ability to complete the planned migration of information and processing systems from outdated mainframe applications; impaired our ability to maintain and support current web-based systems; and hindered our ability to implement an integrated tax system.

Key Measures

To measure its success in implementing information technology applications, this activity uses a self-assessment process developed by the Pawlenty Administration for evaluating effectiveness in four major categories, including the overall use and management of technology. On a scale of 1 to 5, here is how the agency graded itself according to the criteria in the following four categories in the *Government Reform through Technology* area. (A grade of 1 is considered "below minimum standards" while a grade of 5 is deemed "world class excellence." The criteria associated with a specific score appear immediately after the grade.)

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Electronic Government Services – **Grade: 4** – Most core services for citizens, businesses, and governmental groups are available online.

Enterprise Orientation – **Grade: 3** – The department has an explicit policy in place that promotes sharing and collaboration initiatives. We are engaged in the identification of shared service opportunities with state agencies and other partners. We are a partner in the shared service initiatives that serve statewide objectives.

Customer Focus – **Grade: 4** – We approach the management of our agency and our projects from a collaborative perspective and have successfully used a shared approach on at least 25% of our projects completed in the last 12 months. We have defined and consistently used processes for gathering business partner/customer (user) feedback, and we develop strategic business technology and process improvement plans based on a complete customer/user-centric view. We have at least one success in one-stop delivery of service within our agency or in collaboration with others. Our technology customer satisfaction rating is above 80%.

Strategy and Standards – **Grade: 5** – We provide leadership and are recognized by our peers in the development and advocacy of architectural direction and standards for the greater good of the state enterprise. Of the organizational systems and processes developed in the last 12 months, 100% comply with and leverage documented standards.

Activity Funding

This activity's biennial budget is $30.1 million, or about 13.9% of the department's total budget. The sources of activity's total biennial budget are: $28.3 million (94.1%) from General Fund tax dollars, $237,000 (.8%) from dedicated funds and $ 1.5 million (5.1%) from special revenue funds for administering the Local Option Sales Tax and the Revenue Recapture program.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	11,720	18,473	25,133	21,295	46,428
Health Care Access	0	94	47	47	94
Highway Users Tax Distribution	0	109	86	115	201
Environmental	7	27	17	17	34
Statutory Appropriations					
Misc Special Revenue	769	772	772	772	1,544
Total	**12,496**	**19,475**	**26,055**	**22,246**	**48,301**
Expenditures by Category					
Total Compensation	8,088	8,093	7,603	7,765	15,368
Other Operating Expenses	4,408	11,382	18,452	14,481	32,933
Total	**12,496**	**19,475**	**26,055**	**22,246**	**48,301**
Full-Time Equivalents (FTE)	**84.1**	**80.7**	**80.5**	**80.1**	

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Activity Description

This activity ensures the uniform application of Minnesota's property tax laws, oversees the performance of local assessors, provides information to taxpayers and policymakers about the property tax system, and computes and disburses state aid to local governments.

Population Served

This activity serves 3,400 local units of government and over 2.6 million property taxpayers each year. It also serves state policymakers and state agencies such as the departments of Education, Human Services and Corrections.

Activity at a Glance

- Administers over $1 billion in state aids to local governments and property tax credit programs
- Oversees the statewide property tax levy, which raised $655 million payable in 2004
- Provides services to local government officials who assess and calculate property taxes for 2.6 million parcels of property
- Responds to 15,000 phone and 21,000 email inquiries from taxpayers and administrators

Services Provided

The activity provides services for two major programs: local property tax administration and state aids to local governments.

Local property tax administration activities include:

⇒ Assisting county and local assessors in the complete and accurate identification of taxable property, its proper classification and valuation, and equalization of assessments among taxing districts.
⇒ Providing information to individual taxpayers, legislators and local government officials about the property tax system.
⇒ Providing support to the State Board of Assessors, which is responsible for assessor education and licensing.
⇒ Conducting annual assessment-to-sales ratio studies to measure assessment levels, ensure their uniformity, and determine the basis for state aid payments to school districts and cities.
⇒ Staffing the State Board of Equalization which is responsible for monitoring assessment levels for accuracy and uniformity and for issuing corrective orders when necessary.
⇒ Assisting and monitoring local governments in implementing the annual Truth in Taxation process.
⇒ Educating county auditors and treasurers on requirements and procedures for tax computation and collection, and providing consultation as requested.
⇒ Estimating the value of railroads, public utilities, and airflight properties on a statewide basis.

State aids to local governments activities include:

⇒ Collecting and maintaining assessment and levy information from all local taxing authorities each year.
⇒ Determining state aid and credit reimbursement payments for each county, city, town, and special taxing district under a variety of statutory formulas, including Homestead and Agricultural Credit Aid (HACA), Local Government Aid (LGA), Market Value Homestead Credit Reimbursement Aid, and many other smaller programs.
⇒ Setting the statewide General Fund property tax rates for business and cabin properties.
⇒ Making aid payments by statutory deadlines each year.
⇒ Issuing state deeds for tax-forfeited property.

Historical Perspective

The activity's role in overseeing the performance of county and city assessors has taken on greater importance in the last five years. As part of the property tax reform, the 2001 legislature adopted a statewide property tax levy. This levy is imposed on properties that are classified and valued by a host of county and city assessors. The levy raises about $655 million annually in state funds, and has become an important component in the overall state revenue system. As a consequence the activity's role in ensuring properties are correctly classified and valued has taken on critical importance.

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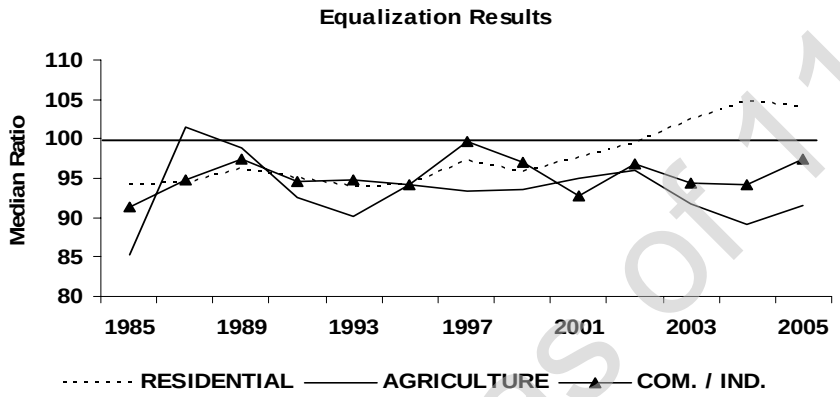
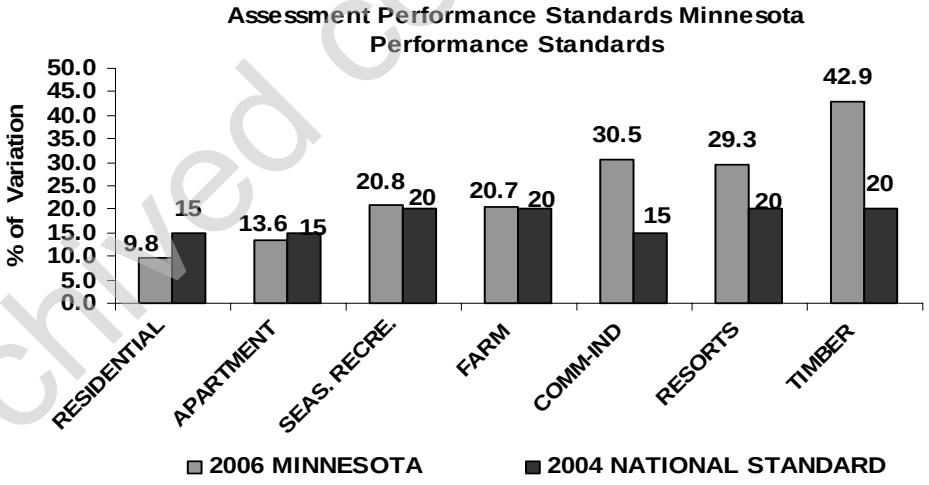
This activity's ability to gather property tax information quickly and efficiently is hampered by the failure of the division and local governments to invest in new technologies and computer systems. However, the division is in the process of aggressively modernizing business processes and computer systems that should result in the timelier gathering of property data and will lay the groundwork for improving property tax administration.

Key Measures

The key measure for this activity is the assessment-to-sales ratio study. In valuing a property, assessors seek to estimate a value that is as close as possible to what the property would sell for in the current market. The division conducts an annual study for each of the state's 87 counties that compare the selling price of all properties sold with the assessor's estimated market value of the property. The following table shows that Minnesota assessors have been estimating the value of residential, farm and commercial property at about 97.7% of the selling price.



Using the sales ratio data, the following measure shows the degree of variation in individual assessments from the average for the various classes of property in Minnesota, and compares it to the national standard established by the International Association of Assessing Officers. Overall, Minnesota assessors are fairly close to the national standard on farm property, and actually beat the standard on residential and apartment properties. Commercial-industrial and timber sales are difficult to estimate because the value tends to differ according to the type and use of the property. With few resort properties (defined as commercial seasonal properties) in the state, the small sample size makes it difficult to accurately measure assessed value against actual sales.



Administration of Local Government Aids: The following table demonstrates the amount of payments made to local government for a variety of aid programs.

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Aids and Credits Paid to Local Government Units
(Dollars in Thousands)

Payments to Cities, Counties, Towns and Special Jurisdictions	**2005 Actual**	**2006 Actual**	**2007 Budgeted**
Local Government Aid	$437,513	$436,812	$484,558
County Program Aid	111,620	206,185	205,847
Residential Homestead MV Credit	217,673	218,589	209,549
Homestead Ag Credit Aid - HACA	0	0	0
Criminal Justice Aid	0	0	0
Family Preservation Aid	0	0	0
Agricultural Homestead MV Credit	18,792	19,220	19,248
DNR-PILT	13,028	13,387	19,657
Disparity Reduction Aid	10,705	10,576	10,328
Taconite Aid Reimbursement	5,003	5,029	5,141
Washburn Crosby Project	0	0	0
Border City Credit	4,679	4,251	4,324
Attached Machinery Aid	0	0	0
Existing Low Income Housing Aid	0	0	0
TIF Deficit Aid	0	0	0
Indian Casino County Aid	675	659	668
Public Defender Costs	595	500	500
Used Oil/Filter Refund	0	0	0
Disaster Credit/Revenue	0	0	0
Enterprise Zone Credit	0	0	0
Regional Transit Board Aid	0	0	0
Charity Care Aid	0	0	0
Sub Total	$820,283	$915,208	$959,820
Payment to Schools			
Residential Hmstd MV Credit-School	$64,129	$60,741	$62,950
Education Homestead MV Credit	0	0	0
Disparity Reduction Aid-School	8,216	8,127	7,997
Education Agricultural Credit	0	0	0
Agricultural Hmstd MV Credit - School	5,209	5,301	5,567
Homestead Ag Cr Aid-HACA -School	0	0	0
Attached Machinery Aid - School	0	0	0
Border City Credit - School	710	639	649
Agricultural Preservation - School	62	57	61
Enterprise Zone Credit - School	0	0	0
Disaster Credit/Rev - School	0	0	0
Sub Total	$78,326	$74,865	$77,224
Pension Related Payments (payments made to jurisdiction or pension plan)			
Aid to Police & Fire	$77,263	$77,466	$82,231
PERA Rate Increase Aid	14,586	14,586	14,560
Local Police & Fire Aid	11,257	10,965	13,817
Sub Total	103,106	103,017	110,608
TOTAL	**$1,001,715**	**$1,093,090**	**$1,147,652**

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Activity Funding

This activity's biennial budget is $5.22 million, or about 2.4% of the department's total budget. Of this total, $5.22 million (100%) comes from the General Fund.

Contact

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Property Tax Division
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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	2,559	2,661	3,558	3,608	7,166
Statutory Appropriations					
Misc Special Revenue	32	47	0	0	0
Total	**2,591**	**2,708**	**3,558**	**3,608**	**7,166**
Expenditures by Category					
Total Compensation	2,318	2,405	3,181	3,231	6,412
Other Operating Expenses	273	303	377	377	754
Total	**2,591**	**2,708**	**3,558**	**3,608**	**7,166**
Full-Time Equivalents (FTE)	**32.6**	**31.4**	**38.5**	**38.2**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$900	$900	$900	$900
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$900	$900	$900	$900

Recommendation

The Governor recommends an additional appropriation of $900,000 a year to the Department of Revenue to fund property tax related technological enhancements. This appropriation would support the development and maintenance of a statewide electronic Certificate of Real Estate Value (eCRV) system, the modernization of state deed processes, and the on-going modernization of various data transfers between the department and counties as part of the oversight and administration of the property tax system.

Background

This funding reflects a portion of the state share of recording and registrar fees. Most county recorders impose a $46 flat fee, of which $10.50 is remitted to the state's General Fund. Prior to law changes effective in 2005, the fees charged for recording services were lower and varied between counties. In raising and standardizing these fees, the Legislature also required that a significant portion of the local share go toward modernization and technological improvements that would enable counties to meet new standards in the processing and recording of deeds. These changes were adopted with the support of industry groups and the counties to increase the efficiency, accuracy, and services relating to recorded documents.

The eCRV project is a closely related effort to increase the efficiency and accuracy of Certificates of Real Estate Value by moving from a paper-based system to an electronic system. It is an important component in the recording of deeds. In prior years, a 50-cent portion of the state's share of recording fees was appropriated to support the Electronic Real Estate Recording (ERER) Task Force, which has been slowly working towards an eCRV system. The Department of Revenue has accelerated the development of this system, but lacks current resources to provide stable support for the development and maintenance of the system.

Other property tax related systems, such as the state deed process associated with tax forfeited lands, and a wide variety of data exchanges with counties are also in need of modernization to increase their efficiency and accuracy. Modernization of these systems and data exchanges will enable greater utilization and sharing of data between counties and the state.

Relationship to Base Budget

The General Fund base level for the property tax budget activity is $2.61 million per year. These funds would increase the total activity to $3.51 million (a 34% increase). Most of the new funds (approximately $728,000) will be directed toward funding approximately 7.5 additional FTE.

Key Measures

⇒ The successful establishment of the eCRV system and the resulting conversion of paper processing to electronic processing will be measurable outcomes of this proposal.

⇒ The successful development of a state deed system that allows for gains in efficiency and accuracy, while also enabling better tracking and oversight, is another anticipated outcome to follow.

Statutory Change: Not applicable.

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Program Description

The Department's Debt Collection Management activities are carried out by the Collection Division. The division collects both tax and non-tax debt owed to various state agencies and boards by individuals and corporations. Overall, the division manages a tax debt portfolio of $459 million and non-tax debt of $309 million in FY 2005. It collected a total of nearly $350 million in tax debt and $46 million in non-tax debt.

The Collection Division has collected non-tax debt on behalf of other agencies since 1994, when legislation created a centralized debt collection service within the Department of Revenue. Some agencies use the Department of Revenue's collection service for all debt; some refer selected debts and others do not refer any of their debts. Of the current inventory of non-tax debt, 40% of the debtors also have a tax debt with the Department of Revenue or have at least two debts with different agencies.

Once the division exhausts all measures to collect a debt, it can refer the amount to a private for-profit collection agency for further action. However, the division retains the right to recall a case from an agency if circumstances warrant. Currently, the division contracts with three private collection agencies, which receive a percentage of the total dollars they collect: 20% for first referrals, 25% for second referrals and 30% for litigated cases. In FY 2005, these agencies collected about $4.1 million, of which $2.3 million constituted delinquent taxes.

Budget Activities

⇒ Collection Division

Operating Environment Issues

The Department of Revenue conducted a study of state and local government practices for collecting debt, and presented it to the governor and legislature on 2-15-2006. The study, based on a survey of state agency practices, follow-up interviews with selected agencies, and a review of state laws, revealed that:

⇒ Minnesota's system for debt collection is scattered among state agencies that often lack the expertise, personnel and tools to effectively collect debt, and debtors receive varying levels of service to aid them in resolving their debts.

⇒ State agency procedures and practices for collecting and reporting debt vary widely and lack measures for evaluating the effectiveness of their efforts. Agencies do not use a common, best-practices approach for debt collection.

⇒ Authenticating debts and the identity of debtors is problematic for some agencies. This leads to unacceptably high error rates in the collection of debt – as high as 6% for some agencies.

⇒ State laws governing debt collection are unclear and fragmented, and represent an obstacle in adopting more effective practices for collecting and recording debt.

⇒ The state lacks a modern, consolidated computer system for identifying debt and managing the collection process. Some agencies have aged mainframe systems that are in need of an upgrade. Others have built their own systems, some rely on access databases or excel spreadsheets, and 12 agencies use the Minnesota Accounting and Procurement System (MAPS).

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	16,932	18,091	18,091	18,091	36,182
Subtotal - Forecast Base	16,932	18,091	18,091	18,091	36,182
Governor's Recommendations					
Tax Compliance Initiative		0	875	1,555	2,430
Compensation Adjustment		0	320	649	969
Total	**16,932**	**18,091**	**19,286**	**20,295**	**39,581**
Expenditures by Fund					
Direct Appropriations					
General	16,526	18,959	19,286	20,295	39,581
Open Appropriations					
General	1,688	2,200	1,900	1,900	3,800
Statutory Appropriations					
Misc Special Revenue	74	74	74	74	148
Total	**18,288**	**21,233**	**21,260**	**22,269**	**43,529**
Expenditures by Category					
Total Compensation	14,601	16,280	16,953	17,942	34,895
Other Operating Expenses	2,724	4,288	3,642	3,662	7,304
Capital Outlay & Real Property	963	665	665	665	1,330
Total	**18,288**	**21,233**	**21,260**	**22,269**	**43,529**
Expenditures by Activity					
Collections	18,288	21,233	21,260	22,269	43,529
Total	**18,288**	**21,233**	**21,260**	**22,269**	**43,529**
Full-Time Equivalents (FTE)	**237.1**	**250.2**	**259.8**	**268.4**	

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Activity Description
This activity manages the collection of delinquent tax and non-tax debts on behalf of state agencies and other public entities.

Population Served
Taxpayers, tax administrators, legislators and staff, tax professionals, public policymakers, local elected officials, state agencies, local governments, and other public entities.

Activity at a Glance

- Managed an average of 205,229 delinquent tax debt cases and an average of $459 million in delinquent tax debt in FY 2005
- Managed an average of 205,519 delinquent non-tax debt cases and an average of $309 million in delinquent non-tax debt in FY 2005
- Collected $191 million in delinquent tax debt in FY 2005

Services Provided
This activity collects 171 types of fees, fines, taxes, and payments for:

⇒ **29 State Agencies:** including the departments of Administration, Agriculture, Corrections, Commerce, Employment and Economic Development, Health, Human Rights, Human Services, Labor and Industry, Military Affairs, Natural Resources, Public Safety, Revenue, Transportation, Veterans Affairs, and the Pollution Control Agency.

⇒ **Four State Boards:** the State Campaign Finance Disclosure Board, State Board of Client Security, Iron Range Resource Rehabilitation Board, and the State Veterans Home Board.

⇒ **Two Public Employee Retirement Associations:** the Minnesota State Retirement System and the Public Employees Retirement Association.

⇒ **Six Independent State Government Entities:** the Attorney General's Office, the Secretary of State's Office, the Minnesota Indian Affairs Council, the Minnesota Office of Higher Education, the Minnesota State Lottery, and the Minnesota State Colleges and Universities system.

Services include locating debtors, billing, contacting debtors by phone, arranging and receiving payment, monitoring payment plans, locating and evaluating assets, issuing liens and levies, and seizing assets. Other services to agencies include consulting on effective debt management and productive collection practices, and evaluation of the potential for debt collection.

Historical Perspective
This activity has always been responsible for collecting delinquent taxes owed to the Department of Revenue. Starting in 1994, its responsibilities were expanded to include the collection of debt owed to other state agencies and boards. Today, of the total $396 million collected annually by this activity, approximately $46 million is collected on behalf of non-tax debt clients. The collection costs are recovered through fees assessed against the debtors. Currently, the fee is 15%, with an additional 10% charged if legal action is required to collect the debt.

The total tax debt portfolio managed by this activity has climbed from $370 million in FY 2002 to about $459 million in FY2005. About $225 million of the $459 million is being collected through payment plans or is considered uncollectible. Uncollectible debt includes bankruptcies, amounts owed by deceased debtors, debts in which the statute of limitations has expired, or debts in which all collection efforts have been exhausted. The activity collected about $191 million of the total $459 million in 2005 – up from $164 million collected in 2002.

Other factors that have contributed to the rise in the tax debt portfolio include increased financial pressures on individuals and businesses due to the transition from a local to a global economy, an increase in bankruptcy filings, and expanded tax auditing activities undertaken by the agency.

This activity has been able to make significant gains on debt collection as a result of several developments, including the appropriation of added funds by the legislature to expand collection activities, law changes to

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streamline the collection process, the automation of manually intensive processes, the expansion of databases, and reorganization to improve work processes.

Key Measures

FY 2005	
Total dollars collected	$ 215.8 Million
Tax collections	$ 191.3 Million
Non-tax collections	$ 24.5 Million
2004 Tax Compliance Init.	$ 24.7 Million

Total cases closed	245,204
Tax cases	192,281
Non-tax cases	52,923

Activity Funding

This activity's biennial budget is $39 million, or about 18% of the department's total budget. Of the total budget for the biennium for the Collection budget activity, $38.8 million (99.6%) comes from General Fund tax dollars, and $149,000 (.4%) comes from special revenue funds for administering the Local Option Sales Tax program.

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Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	16,526	18,959	19,286	20,295	39,581
Open Appropriations					
General	1,688	2,200	1,900	1,900	3,800
Statutory Appropriations					
Misc Special Revenue	74	74	74	74	148
Total	**18,288**	**21,233**	**21,260**	**22,269**	**43,529**
Expenditures by Category					
Total Compensation	14,601	16,280	16,953	17,942	34,895
Other Operating Expenses	2,724	4,288	3,642	3,662	7,304
Capital Outlay & Real Property	963	665	665	665	1,330
Total	**18,288**	**21,233**	**21,260**	**22,269**	**43,529**
Full-Time Equivalents (FTE)	**237.1**	**250.2**	**259.8**	**268.4**	

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Change Item: Tax Compliance Initiative

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$4,330	$5,907	$5,907	$5,907
Revenues	20,850	30,350	30,350	30,350
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact *	($16,520)	($24,443)	($24,443)	($24,443)

* Net Fiscal Impact is expenditure changes minus revenue changes. A positive Net Fiscal Impact is either an expenditure increase or a revenue decrease. A negative Net Fiscal Impact is either an expenditure reduction or a revenue increase.

Recommendation

The Governor recommends that the Department of Revenue receive $4.330 million in FY 2008 and $5.907 million in FY 2009 to fund 68 new auditing positions and their related support costs to increase tax auditing and enforcement activities. These activities include identifying taxpayers who neglect to file tax returns or do not pay the proper amount of tax and those that refuse to pay the taxes they legally owe. It is estimated that this increased compliance effort will generate an added $51.2 million in revenue in the 2008-09 biennium, a net gain of $41 million.

Background

While most taxpayers fulfill their tax obligations, some do not. The Minnesota tax gap – the difference between what is owed to the state and what is actually paid – is nearly $1.3 billion. The income tax gap is estimated at $604 million, and the sales tax gap is expected to reach $693 million by 2007. The cost of this noncompliance is clear: regular citizens pay more than their share of taxes to fund public services, eroding the integrity and fairness of the tax system. Increased tax enforcement efforts help close this gap.

In the 2002-03 biennium, the department was appropriated $9.7 million expecting to generate $60.1 million through increased tax compliance activities. Those efforts generated $97.2 million, or $37.1 million more than expected. The department also received $12.8 million in the 2004-05 biennium expecting to generate an added $59.8 million. This effort has generated $92.2 million, or $32.4 million more than anticipated.

In the 2006-07 biennium, the legislature appropriated $17.8 million expecting to generate $90.7 million. As of November 30, 2006, this effort had generated $74.3 million, or about 11% more than the department had expected to generate by this date.

Relationship to Base Budget

This change item will be funded by an on-going appropriation from the General Fund. The eventual $5.91 million increase represents approximately 5.8% of the department's current General Fund appropriation. However, the increased appropriation is expected to generate added General Fund tax revenue well beyond the amount of on-going funding. This tax compliance initiative will have much greater impact than traditional one-time compliance activities by providing a permanent increase in revenues to the General Fund.

Key Measures

The agency will measure its performance under this change item and will report the results to the legislature as part of the 2009 budget process. The performance measures the agency will report include:

- Return on investment (revenues to expenditures)
- Non-compliant businesses and individuals brought into the tax system
- Delinquent tax cases resolved

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,657	$3,347	$3,347	$3,347
Revenues	0	0	0	0
Other Fund				
Expenditures	58	118	118	118
Revenues	0	0	0	0
Net Fiscal Impact	$1,715	$3,465	$3,465	$3,465

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs and 2% for costs in other funds.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Other Revenues:					
General	720	646	646	646	1,292
Taxes:					
General	0	0	20,850	30,350	51,200
Total Non-Dedicated Receipts	**720**	**646**	**21,496**	**30,996**	**52,492**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	558	570	570	570	1,140
Other Revenues:					
Misc Special Revenue	2,168	1,863	1,863	1,863	3,726
Total Dedicated Receipts	**2,726**	**2,433**	**2,433**	**2,433**	**4,866**
Agency Total Revenue	**3,446**	**3,079**	**23,929**	**33,429**	**57,358**

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➲ Designates that this item is a change item

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Agency Purpose

The Science Museum of Minnesota (SMM) is a statewide, nonprofit, educational resource operating the state's largest and only broad-based organization devoted to helping the public—including school-aged youth— to understand issues of science, technology, engineering, and math and prepare them to become the "next generation" workforce to fuel Minnesota's continued economic development.

The SMM plays a critical role in teaching and inspiring school-age children to understand the world around them. SMM is a key partner with the Minnesota Department of Education, co-sponsoring such events as the Governor's Roundtable on Science, Technology, Engineering and Math (STEM). Programs are provided both at the museum and in schools across the state. Learning is encouraged by using inquiry science and hands-on activities to stimulate student interest. SMM also provides tools and professional development for teachers and school district science curriculum coordinators to enhance their classroom skills and support state standards and assessments.

SMM also conducts original research, especially in the environmental sciences, to support key management and policy decisions critical for state purposes.

Core Functions

⇒ Advances pre-K-12 student achievement in science and math regionally and nationally.

⇒ Fosters civic understanding and engagement on issues of science which impact the quality of our lives—through exhibits, films, lectures, and forums.

⇒ Conducts original research that has practical applications for making science-based decisions about use of critical natural resources.

⇒ Protects and interprets the 1.75 million objects and artifacts housed in permanent collections at the museum.

Operations

⇒ Offers the widest range of science and technology topics of any museum in the state. Visitor learning opportunities include giant screen films in the popular Omnitheater and 3-D cinema and exhibits about physics and technology, environmental science, ancient life on earth, human culture, and the human body.

⇒ Attracts and serves Minnesota citizens from all corners of the state

- ♦ 54% of visitors live in the suburbs, 24% live in Minneapolis/St. Paul and 22% live in greater Minnesota
- ♦ 60% of visitors are families with children, 20% are school groups, and 20% are adults without children

⇒ Serves students and teachers from across the state in programs at the museum or in their local schools

- ♦ 150,000 students visit the museum on field trips. The museum provides resources to teachers to tie their visits to classroom activities. Specialized tours and activities are also available.

At A Glance

Highlights:

- ♦ 1.2 million people served annually, including 260,000 school children (combined field trip and outreach programs)
- ♦ 1,600 teachers participate in workshops and institutes each year
- ♦ 250 business and government leaders participated in STEM policy workshops
- ♦ 1.75 million objects and artifacts are housed in collections and interpreted by museum staff
- ♦ 300 full-time (FTE's) and 1,800 volunteers work to engage the public in learning

FY 2007 Operating Budget: $30.3 million

- ♦ Earned income: $17.6 million (58%)
- ♦ Restricted project grants: $7.6 million (25%)
- ♦ Private support: $4.3 million (14.5%)
- ♦ State appropriation: $750,000 (2.5%)

Impact:

- ♦ **Science education**: presents policy forums for education, business, and civic leaders. Center for engaging youth and families in science, technology, engineering, and math.
- ♦ **Science policy**: conducts research with a public benefit (e.g., water quality on the St. Croix, and methyl mercury studies). Cares for collections that support ongoing research for state institutions.
- ♦ **Economic impacts:** generates $90 million in total economic activity, attracting $6-8 million in new funds each year from outside the state.
- ♦ **Tourism:** serves the largest audience among the state's museums/zoos, drawing from every county in Minnesota and the five-state region.
- ♦ **Community partners:** shares resources with 60 community based science organizations, 100 social service agencies, and dozens of educational and civic groups to support their educational and service goals.

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- 110,000 students in classrooms across the state are served by SMM instructors annually. Programs include hour-long assemblies, five-day residencies on special topics, trunks of artifacts/activities, and teacher materials.
- 1,600 teachers each year participate in our professional development programs to improve their expertise in math and science and to acquire new instructional methods to engage student interest through hands-on activities. SMM outreach efforts impact more than 100,000 students annually.

⇒ Conducts scientific research in service to the public

- SMM operates the St. Croix Watershed Research Station (SCWRS) in Marine-on-St. Croix in Washington County. Scientists seek solutions to critical environmental problems such as the loss of biodiversity and degradation of surface and groundwater.
- The SMM paleontology program provides both laboratory and field research across the state and around the world. Scientists advance our understanding of the past while creating a foundation for studies that inform the future, advancing such fields as histology and Paleolimnology and working with graduate students and faculty across the state.

⇒ SMM is a national leader in the science museum field:

- SMM is a leading producer of IMAX films, hands-on exhibits, and experiment benches, and youth development programs.
- New initiatives include making current science and research more accessible, serving as an outreach partner for scientists at the University of Minnesota, and exploring new models for increasing student success, especially for children who are not succeeding in the current system.

Key Measures

⇒ Visitor research studies and formal evaluations of major exhibits, films and educational programs.

⇒ Publications in peer reviewed journals, books, and monographs.

⇒ Performance against annual budget and program goals.

⇒ Peer-reviewed competitive grants, bringing $6-8 million in federal funds into the Minnesota economy and supporting employment and product development.

Budget

FY 2007 Budget: $30.326 million ($22.692 million in unrestricted funds and $7.634 million in one-time projects)

Sources of $22.692 million in unrestricted funds (75% of the total SMM budget)

- $17.6 million in earned revenue (admissions, membership, stores, parking, classes, fees)
- $3.24 million in unrestricted contributions. *Includes the state grant of $750,000.*
- $1.7 million investment income

Sources of $7.634 million in restricted revenue (25% of the total SMM budget)

Restricted funds support costs outside of the ongoing operating budget for special projects, such as the development of new exhibits, films, and educational programs.

- Federal grants: $5.4 million
- Private contributions and grants: $2.2 million

Contact

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	750	750	750	750	1,500
Recommended	**750**	**750**	**1,000**	**1,000**	**2,000**
Change		0	250	250	500
% Biennial Change from 2006-07					33.3%
Expenditures by Fund					
Direct Appropriations					
General	750	750	1,000	1,000	2,000
Total	**750**	**750**	**1,000**	**1,000**	**2,000**
Expenditures by Category					
Local Assistance	750	750	1,000	1,000	2,000
Total	**750**	**750**	**1,000**	**1,000**	**2,000**
Expenditures by Program					
Science Museum Of Minn	750	750	1,000	1,000	2,000
Total	**750**	**750**	**1,000**	**1,000**	**2,000**

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**750**	**750**	**750**	**1,500**
Subtotal - Forecast Base	**750**	**750**	**750**	**1,500**
Change Items				
Operating Support	0	250	250	500
Total Governor's Recommendations	**750**	**1,000**	**1,000**	**2,000**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$250	$250	$250	$250
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$250	$250	$250	$250

Recommendation
The Governor recommends increased appropriations to the Science Museum of Minnesota (SMM) in order to continue its basic mission and support continuation of outreach services in Greater Minnesota.

Background
Rising operating costs have eroded the amount of discretionary funds available for programming. Financial reserves have been depleted over the last 10 years, leaving no buffer to guard against sharp drops in revenue. The SMM vehicle fleet used for outreach services in Greater Minnesota is aging, with few funds available to replace worn vehicles. Rising costs of building maintenance and energy and growing debt payments on the long-term financing of building construction must also be paid through the unrestricted portion of the operating budget. General fund support would provide needed assistance in meeting increasing costs for building operations and transportation in order to help maintain outreach services to greater Minnesota.

Relationship to Base Budget
This request represents a 33% increase in General Fund appropriation, but a 1.1% increase in the Museum's non-restricted operating budget over the FY 2008-09 biennium. The SMM has an annual budget of $30 million per year, with unrestricted funds totaling $22.4 million. Its General Fund appropriation in FY 2007 was $750,000.

Key Measures
- Maintain key outreach services to Minnesota schools. SMM instructors serve 110,000 students in classrooms across the state annually. Programs include hour-long assemblies, five-day residencies on special topics, trunks of artifacts/activities, and teacher materials.
- Maintain teacher training. Nearly 1,600 teachers each year participate in our professional development programs to improve their expertise in math and science and to acquire new instructional methods to engage student interest through hands-on activities. SMM outreach efforts impact more than 100,000 students annually.

Statutory Change: Not Applicable

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➲ Designates that this item is a change item

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State of Minnesota
Department of Finance

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January 22, 2007

To the 2007 Legislature:

I respectfully submit for your consideration the Governor's FY 2008-09 budget proposal for the Secretary of State. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

For the Secretary of State, the Governor recommends a direct General Fund appropriation of $5.992 million in FY2008 and $6.229 million in FY 2009. Consistent with the recommendations for other executive branch agencies, constitutional officers and the legislature, this budget recommendation includes a 2% annual compensation increase of $263,000 over the biennium.

Sincerely,

Tom J. Hanson

Tom J. Hanson
Commissioner

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Agency Purpose

The Office of the Secretary of State serves the people of Minnesota by administering fair and honest elections; promoting citizen participation in government; facilitating commerce; and preserving for history the records entrusted to the office.

Core Functions

The core functions of the office are:

- the administration of elections;
- the recording of business documents regarding entities and financing statements for business loans;
- the filing and preservation of the official documents of the state; and
- the filing of Notary Registrations.

At A Glance

- Approximate business filings in databases: 2.3 million
- Registered voters in databases: 3.15 million
- Web inquiries and transactions: 40 million (2005)
- General elections support:
  - ⇒ 2,000 township elections every year
  - ⇒ 900 city elections on a two-year cycle
  - ⇒ 300 school district elections on a two-year cycle
  - ⇒ 90 state and county elections on a two-year cycle
  - ⇒ 200 other elections on a two-year cycle

Operations

The Secretary of State is the keeper of the great seal of the state of Minnesota and files and certifies the authenticity of a wide variety of official documents. These include gubernatorial proclamations, appointments, and executive orders, the enrolled acts of the Minnesota Legislature, rules, and some municipal documents. The secretary also maintains a computerized version of the original land survey notes from the 1800s and township plat maps.

The **Business Center** registers a variety of business organizations including corporations, assumed business names, banks, insurance companies, limited liability companies, limited liability partnerships, and limited partnerships. Other business-related filings include notary filings, trade and service marks, auctioneer's licenses, legal newspaper registrations, among others. The secretary also accepts service of process on businesses under certain specific circumstances. It also maintains a statewide computerized network with county recorders so that the public may search Uniform Commercial Code records throughout the state from any filing office.

The **Elections Center** is responsible for administration of the Minnesota election law. In this capacity, the Secretary of State operates the statewide voter registration system and prepares the official roster of voters for every election conducted in Minnesota. Other election activities include certifying voting systems, conducting administrative recounts, accepting filings by candidates for multi-county offices, and training local election officials. The Secretary of State chairs the state canvassing board, which certifies the results of state elections.

Finally, the Secretary of State administers the **Open Appointments** process and publishes the *Minnesota Legislative Manual*, a compendium of federal, state, and county government information.

Key Measures

⇒ Voter Registration

Goal: Increase in number of registered voters
Measurement: Number of citizens registered to vote as entered in SVRS (statewide voter registration system)

FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
2,861,489	2,911,000	2,916,000	2,925,000	3,100,000	3,150,000

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⇒ Facilitate Commerce – Business Center Filings

Goal: Consistent, timely transaction processing (of filings received by mail)
Measurement: Average number of business days from receipt of business filing to entry into database.

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Bus filings	3 days	3 days	2 days	2 days	1 day	1 day
UCC filings	2 days	2 days	2 days	1 day	1 day	1 day

⇒ Access to Information and Services

Goal: Increase in the availability of information and services via the web
Measurement: Number of Direct Access client accounts, served via online filing

	FY 2002	FY 2003	FY 2004	FY2005	FY2006	FY2007
Number of website hits	24,000,000	28,000,000	33,000,000	39,000,000	46,000,000	54,000,000
No. of Direct Access Accounts	1,000	1,200	1,400	1,500	1,600	1,700
No. of Business Services web filings	N/A	N/A	N/A	85,000	100,000	125,000
No. of UCC searches by name	80,000	90,000	105,000	120,000	135,000	150,000
No. of database look-ups by filing number	40,000	50,000	60,000	70,000	80,000	90,000
No. of UCC web filings	0	10,000	30,000	60,000	70,000	80,000

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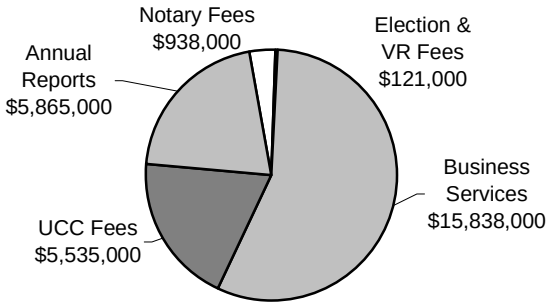
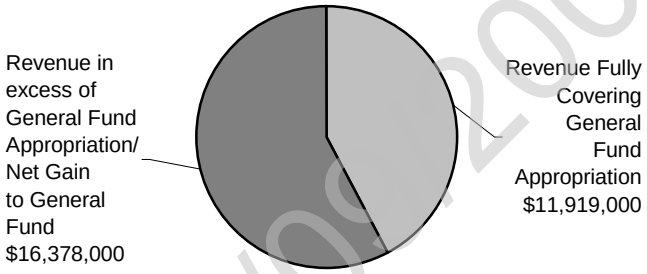
FY2006-07 General Fund Fee Revenue Sources
Estimated Total Revenues: $28.2 Million



2006-07 General Fund Fee Revenue Destination
Estimated Total Revenue: $28.2 Million



Budget

The legislature appropriates $12 million from the General Fund to the Secretary of State to cover the office's biennial operating budget. During the FY 2006-07 budgeting biennium, the Secretary of State projects collecting approximately $28 million in fees. The office has a revolving fund of approximately $1 million each fiscal year. The remainder of fees generated is deposited into the state General Fund, expected to total $16.3 million in FY 2006-07. The legislature appropriated federal funds from the Help America Vote Act (HAVA) account to the Secretary of State to carry out activities necessary under HAVA (P.L. 107-252). This federal law sets national standards and imposes new requirements for the conduct of federal elections that are to be implemented. Federal funding for the implementation of those standards and requirements is also provided.

Contact

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100 Reverend Dr. Martin Luther King Jr. Boulevard
Saint Paul, Minnesota 55155

Web site: www.sos.state.mn.us
Minnesota Relay Service; TTY: (800) 627-3529

Mark Ritchie, Secretary of State
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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	5,905	6,077	6,077	6,077	12,154
Recommended	**5,905**	**6,077**	**5,992**	**6,229**	**12,221**
Change		0	(85)	152	67
% Biennial Change from 2006-07					2%
Expenditures by Fund					
Direct Appropriations					
General	5,450	6,537	5,992	6,229	12,221
Statutory Appropriations					
General	0	1	1	1	2
Misc Special Revenue	34,744	5,799	1,072	1,079	2,151
Total	**40,194**	**12,337**	**7,065**	**7,309**	**14,374**
Expenditures by Category					
Total Compensation	5,475	5,926	5,106	5,003	10,109
Other Operating Expenses	2,449	3,380	1,959	2,306	4,265
Local Assistance	32,270	3,031	0	0	0
Total	**40,194**	**12,337**	**7,065**	**7,309**	**14,374**
Expenditures by Program					
Secretary Of State	40,194	12,337	6,978	7,133	14,111
Compensation Adjustment	0	0	87	176	263
Total	**40,194**	**12,337**	**7,065**	**7,309**	**14,374**
Full-Time Equivalents (FTE)	**81.6**	**83.8**	**64.7**	**64.7**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**6,077**	**6,077**	**6,077**	**12,154**
Technical Adjustments				
Biennial Appropriations		(172)	1	(171)
One-time Appropriations		0	(25)	(25)
Subtotal - Forecast Base	**6,077**	**5,905**	**6,053**	**11,958**
Change Items				
Compensation Adjustment	0	87	176	263
Total Governor's Recommendations	**6,077**	**5,992**	**6,229**	**12,221**
Fund: GENERAL				
Planned Statutory Spending	**1**	**1**	**1**	**2**
Total Governor's Recommendations	**1**	**1**	**1**	**2**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**5,799**	**1,072**	**1,079**	**2,151**
Total Governor's Recommendations	**5,799**	**1,072**	**1,079**	**2,151**

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	5,905	6,077	6,077	6,077	12,154
Technical Adjustments					
Biennial Appropriations			(172)	1	(171)
One-time Appropriations			0	(25)	(25)
Subtotal - Forecast Base	5,905	6,077	5,905	6,053	11,958
Total	**5,905**	**6,077**	**5,905**	**6,053**	**11,958**
Expenditures by Fund					
Direct Appropriations					
General	5,450	6,537	5,905	6,053	11,958
Statutory Appropriations					
General	0	1	1	1	2
Misc Special Revenue	34,744	5,799	1,072	1,079	2,151
Total	**40,194**	**12,337**	**6,978**	**7,133**	**14,111**
Expenditures by Category					
Total Compensation	5,475	5,926	5,019	4,827	9,846
Other Operating Expenses	2,449	3,380	1,959	2,306	4,265
Local Assistance	32,270	3,031	0	0	0
Total	**40,194**	**12,337**	**6,978**	**7,133**	**14,111**
Expenditures by Activity					
Administration	1,355	908	965	951	1,916
Operations	3,107	4,588	3,917	4,059	7,976
Elections	35,732	6,841	2,096	2,123	4,219
Total	**40,194**	**12,337**	**6,978**	**7,133**	**14,111**
Full-Time Equivalents (FTE)	**81.6**	**83.8**	**64.7**	**64.7**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$87	$176	$176	$176
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$87	$176	$176	$176

Recommendation
The Governor recommends additional funding for compensation related costs associated with the operation of the Secretary of State's office. This amount represents an annual increase of 2% for general funded personnel costs.

Background
The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing complete balanced budget.

As with the executive branch, the Governor suggests that these offices and institutions receive a compensation adjustment to reflect rising costs due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases. For agencies receiving appropriations from the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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MINNESOTA SECRETARY OF STATE OFFICE

Mark Ritchie, Secretary of State

January 22, 2007

To the 2007 Legislature

Attached is the secretary of state's budget request for FY 2008/2009 as proposed by the previous administration. The time-frame for review of this proposal and identification of the department's needs for the coming biennium have not allowed for a thoughtful analysis of the alternatives that might be considered.

Therefore, this budget is submitted with the anticipation that potential changes will be identified and presented to the legislative committees when the department's budget is considered.

Sincerely,

Mark Ritchie
Secretary of State

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$50	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$50	$0	$0	$0

Recommendation
Funds are being requested for FY 2008 to establish an IRV (Instant Runoff Voting) Task Force. This task force would examine standards and procedures used by other jurisdictions that already use or are about to use instant runoff voting to develop recommended procedures for Minnesota. The task force would also analyze current Minnesota statutes and rules to identify areas that need to be modified, and solicit input on their recommendations from local governments around the state. The task force's recommendations would be turned into a bill for the legislature's consideration in the 2008 session.

Background
The Office of the Secretary of State is responsible for administration of elections and this new form of voting is one that needs careful analysis so that all Minnesota election laws are followed and that voters feel that the process is secure and the results accurate. The instant runoff voting process is new to the state and local election administrators may not, working on their own, have sufficient time to anticipate all potential problems. The funding would allow local and state officials and interested community members to work with experts with experience in this form of voting to develop agreed upon processes for them to follow. The standards can then be given to software developers so that they can develop programs that conform with the state's expectations. Eventually adopting state standards will ensure that voters in jurisdictions that adopt this method of voting around the state receive equal treatment. Also having one set of standards will make the job of developing software easier and will cut down on the costs for all jurisdictions.

Relationship to Base Budget
For the FY 2008-09 biennium there would be a $50,000 increase to the General Fund base budget.

Alternatives Considered
Allow local jurisdictions to develop their own plans in isolation from one-another.

Statutory Change: Not applicable.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$205	$205	$85	$85
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$205	$205	$85	$85

Recommendation

Funds are being requested for the FY 2008-09 biennium in order to maintain two positions in the Business Services Division to provide the current one-day turn-around for business filings. In addition, one position is requested to provide assistance to non-profit corporations and incorporators of various profit and non-profit entities who are deaf, blind or use English as a second language

2 Customer Service Specialist Intermediates @ $65,000 each - Total = $120,000
1 State Program Administrator Principal - $85,000

Background

Business Services is responsible for filing a wide variety of corporate, non-profit, business entities and financial transactions under the uniform commercial code. Current base level funding will require a reduction in staff in the division which handles those transactions.

The Office of the Secretary of State is in the process of developing additional online business services filing and the two positions are needed to maintain current staffing levels until the electronic filing systems are fully functioning and the public has shifted from mail and in-person filing to a significantly higher level of electronic filing.

There are many small groups, such as Parent Teacher Associations, who may not become incorporated because of a lack of knowledge on how to file articles of incorporation and related tax documents. Persons whose primary language is not English or who have physical restrictions in hearing or seeing are, in many cases, in need of assistance and advice beyond what is currently able to be provided. The position requested will provide the assistance to these groups.

Relationship to Base Budget

For the FY 2008-09 biennium there would be a $410,000 increase to our General Fund base budget with the two clerical positions anticipated to be ending by 2010-2011 and more customers take advantage of the on-line filing options for various transactions.

Alternatives Considered

Allow business filing processing to take two to three days rather than the current one-day turnaround until such time as on-line filing processes reduce the mail and in-person filings to a level that can be handled by base level staffing.

Statutory Change: Not applicable.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$75	$75	$75	$75
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$75	$75	$75	$75

Recommendation
Funds are being requested to staff a web master position to oversee the design and operation of the Office of the Secretary of State's web site.

1 Management Analyst 3 - $75,000

Background
The Office of the Secretary of State is responsible for a variety of different activities including voter registration, elections administration, business filings, open appointments, election night reporting, Legislative Manual, official documents and much of this information is either currently available on the department's web site or will be when the existing systems migrate to web based applications. The complexity and volume of traffic to the site is increasing rapidly and the office is in need of a staff assignment that can monitor what is added, ensure compatibility and consistency and ensure that the site provides the citizens what they need in order to conduct their business or obtain information. In addition, the department envisions both an Intranet and Extranet functionality that would allow internal users and external users such as county auditors and recorders a higher level of access to information than is currently the case.

Relationship to Base Budget
For the FY 2008-09 biennium there would be a $150,000 increase to the General Fund base budget and on an ongoing basis.

Alternatives Considered
Provide improvements and upgrades on an ad-hoc, time-available basis.

Statutory Change: Not applicable.

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Change Item: Increase to Bluebook Funding

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$50	$0	$50
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$50	$0	$50

Recommendation

Funds are being requested to cover additional Legislative Manual (Bluebook) costs including the production of a CD version of the book which can be provided along with the book.

Background

The Office of the Secretary of State is responsible for publishing the Legislative Manual on a bi-annual schedule following the even year election. The book is widely circulated to libraries and other governmental office holders and units throughout the state. The amount of information that can be included in the book has been reduced over the past 12 years due to a fixed funding level which required elimination of a variety of information which has, in the past, been deemed valuable by those entities and elected officials. The additional funding will allow for that information to be reinstated to the book and for a CD version to be provided along with the book and also provided to those who do not need the book, but have need of the information it contains. Schools, in particular, are expected to find the CD version a useful tool for integrating content into the curriculum.

Relationship to Base Budget

For the FY 2008-09 biennium there would be a $50,000 increase to the General Fund base budget and on an ongoing basis every other year.

Alternatives Considered

Continue to publish a book with a reduced amount of information and without the added functionality that would be provided by the CD.

Statutory Change: Not applicable.

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I Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,000	$1,000	$500	$500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,000	$1,000	$500	$500

Recommendation

Funds are being requested for the FY 2008-09 biennium and on an ongoing basis to cover technology related expenses for the modernization and automation of business services functionality at the OSS (Office of the Secretary of State.) The requested amount will fund five FTEs, consultants, and the OSS hardware and software infrastructure, to support the redesign and web-enablement of all business services functions.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	$500	$500	$300	$300	$300	$300
Supplies	0	0	0	0	0	0
Hardware	100	100	100	100	100	100
Software	0	0	0	0	0	0
Facilities	0	0	0	0	0	0
Services	400	400	100	100	100	100
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	**$1,000**	**$1,000**	**$500**	**$500**	**$500**	**$500**

Background

The OSS performs many functions related to business filings, notary registration, uniform commercial code, and central notification system. Prior to 2001, much of this functionality existed in a mainframe application and was costly to maintain and provided limited access by counties and the public. 2001 saw the completion of a substantial redesign effort and migration of mainframe-based functions to a client-server architecture that reduced cost for OSS and provided increased access by counties and OSS staff. Since 2001, some web-enabling of various functions have occurred such as UCC (Uniform Commercial Code), annual business renewals, change of registered office filings for businesses, and notary renewals which continue to save the office and the state funds. A key example of customer service and efficiencies is the Annual Business Renewal (ABR) process. In 2001 all 185,000 businesses had to come to OSS or mail in a renewal form; by 2006 85% of these were done online with a credit card, and required reduced OSS office staff involvement.

It is the mission of the office to continue to expand the availability of services for our customers in particular the business community, allowing 24x7 access over the Internet. This process reduces staffing needs, improves customer service, and is in line with the Governor's direction for Minnesota.

But such changes require technology funds, both to web-enable new functionality, and also to improve systems to allow for robust, secure, scalable operations. The OSS has recently been engaged in a redesign of the Statewide Voter Registration System using n-tier architecture and web servers, improving the performance, security and scalability of that system. The requested funds will allow a similar redesign of the business services functions, and complete the migration from the mainframe and client-server architecture to state-of-the-art web design.

The OSS has begun this process in January 2007 by initiating the framework design and will be focusing on UCC XML Batch Filings and providing Central Notification System (CNS) on the web.

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Listed are the filing types that we would like to make available to the public as Business Services Online Filings:

- Assumed Name, Trademarks & Service Marks (Chapter 333)
- Business Trust (Business Trust Act Chapter 318)
- Domestic Business, Professional, Banks, and Insurance Companies (Chapters 302A and 319B)
- Domestic Cooperatives (Chapter 308A and 308B)
- Credit Union (Chapter 52)
- Domestic and Foreign Limited Liability Partnership (Chapter 323A)
- Foreign Business, Cooperative, and Non-Profit Corporations (Chapter 303)
- Domestic and Foreign Limited Liability Companies (Chap 322B)
- Domestic and Foreign Limited Partnerships (Chapter 321)
- Municipal Power Agent (Minnesota Power Assoc Act Chapter 453A)
- Domestic Non Profit Corporation (Chapter 317A)
- Reservation of Name
- Non Resident Agent for Service of Process (Chapter 557.01)
- Unique Filing Types, not referenced above, come into our office and must be recorded.

Programming costs for specific systems include:

⇒ The programming, design and creation of the underlying framework and infrastructure to fully support all business services functionality, including both business and notary functions: $300,000

FY 2008 - $300,000

⇒ MAPPER data conversion, which includes the development and testing of database scripts to move Corporate MAPPER data to SQL Server, expansion of the existing database to support this data, and conversion testing. $200,000

FY 2008 - $100,000
FY 2009 - $100,000

⇒ MAPPER program conversion: Re-writing of Corporate and Annual Business Renewal functionality to the .NET platform, which will result in the decommissioning of the MAPPER system. Included in this group is good standing certificates, online business reinstatements, online assumed names, online domestic corp flings, and online all other filing types such as LLCs and LLPs: $500,000.

FY 2009 - $500,000

⇒ Profile database redesign to fully support the Business Services functionality, resulting in a SQL 2005 implementation that is scalable and robust: $200,000.

FY 2008 - $200,000

⇒ Re-design and development of current Profile functionality (Back end scanning, Submitter Batch, Federal Tax Liens, UCC): $400,000

FY 2008 - $300,000
FY 2009 - $100,000

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⇒ Conversion of all Profile images (Unisys UeWI) and converted images (files) to Filenet imaging system, and programming to integrate with new BS Online system: $400,000.

FY 2008 - $100,000
FY 2009 - $300,000

Relationship to Base Budget

There would be a $2,000,000 increase to our base budget each biennium and on-going maintenance and improvements in 2010 and 2011.

Alternatives Considered

The Office of Enterprise Technology (OET), created in 2005, is making great strides towards statewide support of hardware, security standards, and promoting industry best practices. One alternative is to outsource this work to OET. However, even if OSS hardware was consolidated with OET, the need for the agency to develop and improve the Business Services platform and delivery would still exist due to business domain knowledge by OSS staff.

Another common alternative is to completely contract out this work. The model used by the agency for SVRS development, which was to build the system in house with staff augmentation support from a consultant, provided a lower cost system that more fully met the needs of the state. The Business Services development model is similar to the development in-house with staff augmentation support in order to create a system that meets Minnesota's needs.

Statutory Change: Not Applicable.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	$160	$160
Revenues	0	0	0	0
Other Fund				
Expenditures	$2,524	$320	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,524	$320	$160	$160

Recommendation

A Help America Vote Account appropriation is requested for the 2008/2009 biennium to utilize funds in the HAVA account in order to cover various HAVA related expenses as outlined in the Background section of the change request.

These funds are available to the state through the accumulation of approximately $2.2 million in interest earned on all prior Federal funds and through the grant of approximately $194,000 in funds to the state from the U.S. Department of Health and Human Services. The remaining funds are unspent from prior appropriations of HAVA funds by the Legislature.

There will need to be legislative language changing Laws 2005, Chapter 162, Section 24, Subd. 7 to allow for these funds to be used on items other than purchasing more machines as well as to carry forward the balance of any HAVA Interest funds to FY2010/2011.

We are requesting that 2 Training FTE's to be added to our General Fund base budget beginning with FY 2010. These two positions, in addition to 2 Technical Support FTEs' are funded in FY 2008-09 using HAVA funds.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	1,330	320	160	160	160	160
Supplies	0	0	0	0	0	0
Hardware	100	0	0	0	0	0
Software	0	0	0	0	0	0
Facilities	0	0	0	0	0	0
Services	600	0	0	0	0	0
Training	300	0	0	0	0	0
Grants	194	0	0	0	0	0
TOTAL	**2,524**	**320**	**160**	**160**	**160**	**160**

Background

The Statewide Voter Registration System was developed with HAVA funding and is still under construction in a number of areas. Continuation of funding would allow improvements and enhancements, including:

⇒ System Performance: Upgrade system servers/performance to handle peak volume usage during voter registration cut-off periods, absentee voting periods and input of election registration applications. Users currently encounter downtimes and degraded system response time during these critical time periods.
FY 2008 - $300,000 (Note: $100,000 of this is for Hardware upgrades).

⇒ Absentee Module Upgrade: Analyze absentee module application to enhance keystroke and workflow efficiencies, label generation and report printing to improve current system performance and allow expanded use of absentee module by local municipal and school district election officials. Use of module by county and

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local election officials would provide them with information on previously processed absentee applications to prevent multiple absentee ballots being issued.
FY 2008 - $300,000

⇒ Reports: Transition existing reports from Crystal to SQL for improved performance. Program additional reports/search queries to improve useful functionality of the system. Current limited number of reports and search criteria prevent election officials from utilizing the information contained in the database and would allow them to monitor and track system data in a functional manner.
FY 2008 - $140,000

⇒ Election Reporting System: Rewrite ERS using C#/.NET and SQL 2005, and fully integrate with SVRS. This will improve the performance, reliability, maintainability, and integration of SVRS and ERS as the functions pertain to candidate filing, ballot generation, results reporting, and public/media access.
FY 2008 $550,000

⇒ SVRS Maintenance: Ongoing updates to the system to improve usability, fix defects, improve data integrity, and improve system security.
FY 2008 - $200,000

⇒ Electronic Voter Pollbook at Polling Place: Creation of a subsystem that could interface to a vendor product to be used at the polling place: look up voters, sign-in voters, capture voting history, and capture Election Day Registration data.
FY 2008 - $120,000

HAVA requires a number of additional functions, including:

⇒ Social Security Number verification: Enhancements to the verification process to include verification of the last four digits of an SSN, in conjunction with the Department of Vehicle Services.
FY 2008 - $20,000

⇒ Courts Interface: Continuing to develop and complete the interface between SVRS and the Minnesota Courts.
FY 2008 - $80,000

Training: 2 FTE for Election staff to train local election administrators on use of SVRS and the disabled accessible voting equipment, and to do outreach to traditionally under-voting populations.
FY 2008 - $160,000, FY 2009 - $160,000 (Note: Paid from HAVA funding in FY 2008-09 and General Fund beginning with FY 2010 and continue through 2011.)

Technical Support: 2 FTE for Technical Staff will respond to technical requests from Local Election Officials relating to the SVRS system.
FY 2008 – $160,000, FY 2009 - $160,000. (Note: Paid from HAVA funding in FY 2008-09 and the positions will end after FY 2009).

Training: Additional Local Election Official Training including expanded use of SVRS and absentee module. Outreach to disability community for voter registration and use of voting equipment.
FY 2008 - $300,000

HHS Grant funds: The Help America Vote Act (HAVA), Public Law 107-252, Title II, Subtitle D, Part 2 provides grants for making polling places accessible to persons with disabilities and for providing information about accessibility to those persons. Minnesota has applied for and been granted grants under this authority for grant years 2003, 2004, 2005 and 2006. The funds requested in this change item are new funds that were granted to Minnesota in 2006, approximately $163,000, and approximately $31,000 in funds that remain unspent from the 2003 grant year, but which the legislature must again appropriate as the original appropriation has expired. These funds are restricted by federal law to the above stated purposes, see HAVA section 261.
FY 2008 - $194,000

Relationship to Base Budget

These are federal funds allocated for the improvement of the voting systems in the states. The funding from the Federal allocation will cover all the remaining requirements for compliance and then, if further Federal funding is

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not forthcoming, on-going state funding will be necessary to continue the high level of service and oversight developed through the implementation of the HAVA requirements.

Alternatives Considered

Funding from state resources rather than interest from the Federal HAVA funds held by the state.

Statutory Change:

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$368	$518	$641	$792
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$368	$518	$641	$792

Recommendation

This change item funds the implementation of the Safe At Home legislation which was passed in 2006 without an appropriation. The legislation provides for a person who fears for their or their family's safety to have his or her actual address be protected through a process of receiving and forwarding the person's mail from a secure location with a generic address which cannot be traced to the person. The statute requires all entities, public and private, to accept this address as valid and it will take considerable educational efforts to make various agencies and private businesses aware of this requirement. In addition, it provides for voter registration and absentee voting procedures which allow for the secrecy of a person's address while still allowing them to register and vote without fear of discovery.

Background

The Office of the Secretary of State is responsible for implementation of the Safe At Home law.
The following is a list of some of the items necessary for the implementation of the law:

⇒ Lease a physical location for the mail to be delivered to and re-sorted for mailing to the secure address.
⇒ Various expenses: rent, utilities, phone, data connection, postage, printing, staff salary and benefits, travel to post office and training sessions, interpreter phone services, etc.
⇒ Various set up and operational costs: office furniture, desks, chairs, fax, phones, computers, application forms, cancellation forms, etc.
⇒ Training (or notification) of agencies on procedures and issues related to the program and taking the address (P.O. Box) on ID
  - (in-person training plus printing of materials and video)
  - Social Service Agencies (welfare, food stamps, child-support payments)
  - Police and Law Enforcement
  - Driver's license centers - driver's license and car license
  - Women's shelters
  - Schools
  - Landlords
  - Courts for child support processing, protection orders, service of process,
  - Auditors for land records & registration/absentee voting/voting
  - Utilities, cell phones and cable companies
  - Landlords for address info for rental purposes.
  - Passport issuance
  - Licensing boards, like realtors, barber/cosmetology board, electrician, boiler licenses
  - Draft board for males turning 18
  - Banks, checking account address
  - Post office personnel
⇒ Marketing of program to make people aware of it if they have a need for a secure address.
⇒ Print marketing materials and forms in different languages.
⇒ Security issues for location and employees, rental of PO box.

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The following chart indicates the projected expenses for this program:

	2008	2009	2010	2011
Number of Program Participants at end of year	1,000	1,500	2,000	2,500
Salaries	$155,294	$180, 257	$201,043	$241,975
FTE	3.0	3.5	4.0	5.0
Postage used to forward program participant mail	$104,000	$260,000	$364,000	$468,000
P.O. Box Rental	$700	$700	$700	$700
Office Lease	$18,128	$18,128	$18,128	$18,128
Office Furniture	$11,200			
Office Equipment and ID consumables	$24,638	$18,080	$24,880	$31,251
Training	$15,000	$10,000	$5,000	$5,000
Education/Aware	$16,750	$8,375	$3,350	$1,675
Office Supplies	$22,500	$22,500	$23,625	$24,800
Totals	$368,210	$518,040	$640,726	$791,529

Relationship to Base Budget

For the FY 2008-09 biennium there would be a $886,250 increase to the General Fund base budget with additional increases likely in 2010 and 2011 as the number of program participants grows by a projected 500 participants each year during this time.

Alternatives Considered

None, implementation is required by the legislation by September 2007.

Statutory Change: Not applicable.

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	14,403	13,885	13,836	14,075	27,911
Other Revenues:					
General	1	2	3	4	7
Taxes:					
General	1	1	1	1	2
Total Non-Dedicated Receipts	**14,405**	**13,888**	**13,840**	**14,080**	**27,920**
Dedicated Receipts:					
Departmental Earnings:					
General	1	1	1	1	2
Misc Special Revenue	1,022	1,060	1,072	1,079	2,151
Miscellaneous Agency	-1	0	0	0	0
Grants:					
Misc Special Revenue	172	290	0	0	0
Other Revenues:					
Misc Special Revenue	1,155	300	50	0	50
Total Dedicated Receipts	**2,349**	**1,651**	**1,123**	**1,080**	**2,203**
Agency Total Revenue	**16,754**	**15,539**	**14,963**	**15,160**	**30,123**

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➲ Designates that this item is a change item

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Agency Purpose

With public safety as its first priority, the Minnesota Sentencing Guidelines Commission maintains and modifies the sentencing guidelines that govern all felony sentences in the state, in order to support the development of policy and practice in keeping with Minnesota's sentencing goals: public safety, proportionality, avoidance of unfair disparity, rational use of correctional resources, and transparency.

In doing its work, the Commission gathers input from a variety of sources:

- the Minnesota legislature and governor, who make changes in penal statutes that must be incorporated into the guidelines;
- trial judges, who implement the guidelines when they impose felony sentences;
- appellate courts, whose decisions concerning sentencing may necessitate guidelines changes;
- corrections officers and administrators who carry out sentences;
- prosecutors and defense attorneys, who seek just outcomes for their respective clients;
- law enforcement officers, who are most aware of trends in criminal conduct and enforcement strategies; and
- citizens, including crime victims, who provide input from those who do not work within the criminal justice system.

At A Glance

The Sentencing Guidelines Commission is an 11 - member body created by the legislature to develop Minnesota's Guidelines, a set of rules that judges must apply in felony sentencing. Three of the members are judges appointed by the Chief Justice of the Supreme Court; the remainder are appointed by the governor and include the commissioner of Corrections, a peace officer, a prosecutor, a defense attorney, a probation officer and public citizens, one of whom must be a crime victim. The Commission employs a full-time staff to maintain the guidelines, train criminal justice professionals, collect and analyze data, and respond to the public's questions regarding sentencing.

In 1981, when the guidelines went into effect, 5,500 felons were sentenced. In 2004, 14,751 were sentenced. Sentence lengths have increased dramatically and the sentencing guidelines have become far more complex, due to statutory enhancements and mandatory minimums. The Commission strives to maintain a sentencing system that balances public safety concerns with consistent and proportional sentences.

Core Functions

The Commission maintains the guidelines and processes data needed as a foundation for sentencing policy and practice by performing the following tasks:

- annually revising the sentencing guidelines to capture changes in the law;
- collecting, cleaning, and storing data on all felony sentences;
- training practitioners to use the guidelines in their daily work;
- answering practitioners' questions on how to apply the guidelines in specific cases;
- providing legislators with fiscal impact notes on proposed and enacted criminal laws;
- evaluating outcomes of changes in sentencing policy;
- working on CriMNet and other integrated statewide criminal justice data systems;
- doing research and providing reports, as requested by the legislature, to other policymakers, and – to the extent resources allow – by the public;
- proposing changes in sentencing for legislative consideration; and
- providing education on sentencing law and policy.

Operations

⇒ The Commission employs 5.75 full-time equivalent employees to perform the core functions set out above. In FY 2006, the staff reviewed 19,736 electronic worksheets, collecting and processing data on felony sentences. They responded to 58 data requests and answered 2,399 telephone questions from practitioners regarding application of the guidelines in specific cases. They prepared 38 fiscal notes on proposed bills for

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the governor and legislature; twice as many are typically prepared in a budget year. Staff provided 12 full-day and half-day training sessions throughout Minnesota.

⇒ Staff prepared and published the annual revision of the sentencing guidelines; they prepared materials for public hearings, as well as timely notices of public meetings and hearings.

⇒ The Commission created a new Sex Offender Sentencing Grid, which the legislature approved for implementation beginning August 1, 2006. The Grid is an example of the Commission's work in promoting sound sentencing policy.

⇒ The Commission prepared an annual report for the legislature, summarizing the year's activities and setting out proposed changes in the guidelines. It routinely prepared statistical reports on various sentencing issues.

Key Measures

⇒ The Commission delivers its annual report to the legislature at the beginning of each session.

⇒ The Commission delivers research/reports requested by the legislature in a timely manner.

⇒ All fiscal notes are delivered to legislative decision-makers within the specified time limits.

⇒ Guidelines questions from practitioners are answered immediately.

⇒ Each year's guidelines are published electronically and on paper, so as to be available for use on August 1.

Budget

The Commission is funded through a $926,000 General Fund appropriation for the biennium. There are 5.75 FTEs.

Contact

Minnesota Sentencing Guidelines Commission
525 Park Street, Suite #220
Saint Paul, Minnesota 55103
(651) 296-0144

Further information, including meeting dates and times, information on public hearings, e-mail address, and previously issued reports, may be found at:
http://www.msgc.state.mn.us

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	463	463	463	463	926
Recommended	**463**	**463**	**600**	**600**	**1,200**
Change		0	137	137	274
% Biennial Change from 2006-07					29.6%
Expenditures by Fund					
Direct Appropriations					
General	402	570	600	600	1,200
Total	**402**	**570**	**600**	**600**	**1,200**
Expenditures by Category					
Total Compensation	334	436	509	525	1,034
Other Operating Expenses	68	134	91	75	166
Total	**402**	**570**	**600**	**600**	**1,200**
Expenditures by Program					
Mn Sentencing Guideline Com	402	570	600	600	1,200
Total	**402**	**570**	**600**	**600**	**1,200**
Full-Time Equivalents (FTE)	**5.2**	**5.8**	**8.0**	**8.0**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**463**	**463**	**463**	**926**
Subtotal - Forecast Base	**463**	**463**	**463**	**926**
Change Items				
Maintain Existing Functions	0	128	119	247
Compensation Adjustment	0	9	18	27
Total Governor's Recommendations	**463**	**600**	**600**	**1,200**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$128	$119	$119	$119
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$128	$119	$119	$119

Recommendation
The Governor recommends $247,000 for the agency so that it can fully perform its statutory obligations and other essential functions. This funding will allow the agency to return to staffing levels of the 2000-01 biennium, while completing the increasing amount of work required and expected of it since then.

Background
Recent budget reductions have resulted in a decrease of agency staff from eight to 5.75 FTE. While the agency has been able to perform its most essential work, it can no longer perform all of its statutorily-mandated functions. At this point, the agency cannot perform any new study that the Legislature or the Governor may wish to have done, cannot answer all requests for data, and is unable to provide research to support sentencing policy. Restoration of staff would allow the agency to perform all of its essential functions.

Relationship to Base Budget
The proposed change is a 27% increase over the agency's 2008-09 base budget of $926,000. The actual increase over current spending will be less than this amount because the agency has had the use of carryforward money from prior biennia as well as a one-time IT grant.

Key Measures
The agency will be able to perform all of its essential functions with the added funding. It will be able to complete at the expected level of excellence any research requested by the Governor and Legislature, it will not be required to refuse any reasonable data request, and it will be able to complete analyses concerning such subjects as the effect on recidivism of chemical dependency treatment, as opposed to incarceration. The agency lacked the resources to do this study, which the Legislature requested in 2003, as part of a report on drug laws.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$9	$18	$18	$18
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$9	$18	$18	$18

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general fund personnel costs.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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➲ Designates that this item is a change item

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Agency Purpose

Minnesota Statutes 148B.01-148B.28 authorizes the Minnesota Board of Social Work to license social workers and regulate social work practice in the state of Minnesota. The board is authorized to promulgate rules, which are found in Minnesota Rules Ch. 8740.

The board's mission is to *ensure citizens of Minnesota quality social work services by establishing and enforcing profession standards.*

The board's vision is *to protect the public through licensure of qualified social workers and to provide timely and impartial resolution of complaints against social workers.*

At A Glance

Biennial Budget – FY 2006-07:

Total Estimated Expenses: $2.253 million

Total Estimated Revenues: $2.327 million

Staff: 9.2 Full-time equivalent employees

Minnesota Licensed Social Worker Statistics
(As of June 30, 2006):

Total Licensed: 10,027

Core Functions

The board accomplishes its mission by:

- setting and administering minimum educational, supervision, and examination requirements for initial licensure as a social worker;
- setting and administering requirements for renewal of licensure;
- setting standards of ethical practice;
- responding to inquiries, complaints, and reports regarding applicants, licensees, temporary license holders, and unlicensed practitioners;
- investigating complaints of alleged violations of statutes and rules, holding educational and disciplinary conferences with licensees, and taking legal action when appropriate against licensees who fail to meet minimum standards of practice;
- approving continuing education programs; and
- providing information about licensure requirements and standards of practice to the public and other interested parties.

Operations

⇒ The board consists of 10 licensed social workers and five public members appointed by the governor.
⇒ The board normally meets six times per year, although additional subcommittees meet as needed.
⇒ The board benefits and affects the public by ensuring that licensed social workers meet and maintain minimum standards of competence and ethical practice.
⇒ Current issues affecting the board are posted on the board's web site.

Key Measures

⇒ In FY 2006, 853 licenses were issued across all categories of social work licenses.
⇒ The board received 89 complaints in FY 2006, down 22% from FY 2005, and closed 120.
⇒ Currently the board has 58% of its licensees using the online renewal service.

Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be $2.253 million, which includes 10.10 full-time equivalent employees. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, Office of Mental Health Program, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

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The board is estimated to collect $2.327 million in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Minnesota Board of Social Work
2829 University Avenue Southeast
Suite 340
Minneapolis, Minnesota 55414-3239

The web site at: www.socialwork.state.mn.us gives visitors easy access to useful information about social work. Types of information available through the web site include: regulatory news and updates, rules and Minnesota statutes, and public notices.

E-mail: social.work@state.mn.us

Frank Merriman, Executive Director
E-mail: social.work@state.mn.us
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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	978	973	973	973	1,946
Recommended	**978**	**973**	**997**	**1,022**	**2,019**
Change		0	24	49	73
% Biennial Change from 2006-07					3.5%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	787	1,164	997	1,022	2,019
Open Appropriations					
State Government Spec Revenue	18	10	18	18	36
Statutory Appropriations					
Misc Special Revenue	8	21	14	14	28
Total	**813**	**1,195**	**1,029**	**1,054**	**2,083**
Expenditures by Category					
Total Compensation	604	747	751	805	1,556
Other Operating Expenses	209	448	278	249	527
Total	**813**	**1,195**	**1,029**	**1,054**	**2,083**
Expenditures by Program					
Social Work, Board Of	813	1,195	1,029	1,054	2,083
Total	**813**	**1,195**	**1,029**	**1,054**	**2,083**
Full-Time Equivalents (FTE)	**9.6**	**11.3**	**11.3**	**11.3**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**973**	**973**	**973**	**1,946**
Subtotal - Forecast Base	**973**	**973**	**973**	**1,946**
Change Items				
Compensation Adjustment	0	24	49	73
Total Governor's Recommendations	**973**	**997**	**1,022**	**2,019**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**10**	**18**	**18**	**36**
Total Governor's Recommendations	**10**	**18**	**18**	**36**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**21**	**14**	**14**	**28**
Total Governor's Recommendations	**21**	**14**	**14**	**28**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	24	49	49	49
Revenues	0	0	0	0
Net Fiscal Impact	$24	$49	$49	$49

Recommendation
The Governor recommends additional funding of $24,000 in FY 2008 and $49,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs and 3.25% for other funds.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
State Government Spec Revenue	1,111	950	963	964	1,927
Other Revenues:					
State Government Spec Revenue	(6)	1	0	0	0
Total Non-Dedicated Receipts	**1,105**	**951**	**963**	**964**	**1,927**
Dedicated Receipts:					
Other Revenues:					
Misc Special Revenue	11	14	14	14	28
Total Dedicated Receipts	**11**	**14**	**14**	**14**	**28**
Agency Total Revenue	**1,116**	**965**	**977**	**978**	**1,955**

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➲ Designates that this item is a change item

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State of Minnesota
Department of Finance

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January 22, 2007

To the 2007 Legislature:

I respectfully submit for your consideration the Governor's FY 2008-09 budget proposal for the State Auditor. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

For the State Auditor, the Governor recommends a direct General Fund appropriation of $8.438 million in FY 2008 and $8.605 million in FY 2009. Consistent with the recommendations for other executive branch agencies, constitutional officers and the legislature, this budget recommendation includes a 2% annual compensation increase of $497,000 over the biennium. The Governor makes no specific recommendations on agency change requests for the FY 2008-09 biennium.

Sincerely,

Tom J. Hanson

Tom J. Hanson
Commissioner

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Agency Purpose

The State Auditor is a constitutional officer elected to a four-year term in the statewide general election. The mission of the State Auditor's Office is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Core Functions

The core functions of all the office's divisions are to oversee and ensure that local government funds are used for the purposes intended by law and include the following:

- examining whether local government resources are spent in an appropriate manner;
- developing methods to provide quality audits, data collection, and investigative services; and
- promoting compliance with Minnesota law.

At A Glance

Annual Business Functions:

- Oversees finances of approximately 3,300 local governmental units.
- Completes approximately 160 financial and compliance audits and reviews approximately 400 single audit reports.
- Handles over 100 special investigative matters.
- Reviews investment and regular reporting of approximately 730 public pension funds.
- Maintains financial reporting databases on approximately 3,300 local units of government.
- Reviews expenditures of the estimated 2,200 tax increment financing (TIF) districts.

Operations

The State Auditor's staff of 115 reviews financial documents of local government entities, including counties, cities, school districts, townships, public pension funds, and tax increment financing districts. Services are primarily delivered by direct interaction with these entities. The State Auditor's Office is organized into six divisions: Audit Practice; Legal/Special Investigations; Government Information; Pension; Tax Increment Financing, Investment and Finance; and the Constitutional Office.

Budget

The office is funded by the General Fund but generates significant non-dedicated receipts. The FY 2006-07 biennial budget for the office is approximately $18 million in direct and statutory General Funds. During the same period, the office anticipates returning more than three-fourths of this amount in revenues and offsets to the General Fund.

M.S. 6.58 requires that audit costs of the State Auditor's Office be recovered. This non-dedicated revenue is received through audit fees charged for the audits of local governments conducted by audit staff. In addition to audit fees, other sources of revenue, which offset the appropriations of the office, are listed as follows:

⇒ The review of single audit reports by the Audit Practice Division is financed by reimbursements to the General Fund through the statewide indirect cost process.

⇒ The Government Information Division and Pension Division are supported in part through reductions to aid distributions made by the Minnesota Department of Revenue for: 1) local government aids; and 2) peace officers and fire state aids pursuant to M.S. 477A.014, subd. 4, and M.S. 69.021, subd. 5, respectively.

⇒ The Tax Increment Financing, Investment, and Finance Division is funded by 0.36% of tax increment distributed to authorities that administer tax increment financing districts.

⇒ The office also generates miscellaneous revenue by conducting training seminars.

Contact

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	8,273	8,273	8,273	8,273	16,546
Recommended	**8,273**	**8,273**	**8,438**	**8,605**	**17,043**
Change		0	165	332	497
% Biennial Change from 2006-07					3%
Expenditures by Fund					
Direct Appropriations					
General	8,036	8,792	8,287	8,756	17,043
Statutory Appropriations					
General	625	623	642	660	1,302
Misc Special Revenue	31	31	31	31	62
Total	**8,692**	**9,446**	**8,960**	**9,447**	**18,407**
Expenditures by Category					
Total Compensation	7,696	8,247	7,893	8,371	16,264
Other Operating Expenses	996	1,199	1,067	1,076	2,143
Total	**8,692**	**9,446**	**8,960**	**9,447**	**18,407**
Expenditures by Program					
State Auditor	8,692	9,446	8,795	9,115	17,910
Other	0	0	165	332	497
Total	**8,692**	**9,446**	**8,960**	**9,447**	**18,407**
Full-Time Equivalents (FTE)	**110.7**	**119.3**	**101.8**	**102.6**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**8,273**	**8,273**	**8,273**	**16,546**
Subtotal - Forecast Base	**8,273**	**8,273**	**8,273**	**16,546**
Change Items				
Compensation Adjustment	0	165	332	497
Total Governor's Recommendations	**8,273**	**8,438**	**8,605**	**17,043**
Fund: GENERAL				
Planned Statutory Spending	**623**	**642**	**660**	**1,302**
Total Governor's Recommendations	**623**	**642**	**660**	**1,302**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**31**	**31**	**31**	**62**
Total Governor's Recommendations	**31**	**31**	**31**	**62**

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Program Description

The purpose of the State Auditor's Office (Office) is to oversee local government finances by performing professional level audits and reviews of local government financial statements, documents, data, reports, and complaints submitted to or gathered by the Office; to endeavor to provide consistent review and comments on the accuracy of financial data and the legal compliance of entities reviewed; and to strive to adhere to the highest governmental accounting principles and auditing standards in the work performed.

Budget Activities

This program's budget activities correspond to the six operational divisions:

⇒ **The Constitutional Office** oversees the management of all divisions and official functions, provides senior level planning and administration, and coordinates the training of staff in audit and investigative methods, technology, and other required professional skills. The Constitutional Office oversees and supports the contribution to six state boards on which the State Auditor serves.

⇒ **Audit Practice** conducts annual financial and legal compliance audits of most Minnesota counties, the cities of Duluth, Minneapolis, and St. Paul, component units affiliated with these counties and cities, the Metropolitan Council, cities, townships, school districts, and other entities as required by statute or chosen by the Office. The Division performs approximately 160 audits per year. This Division establishes uniform reporting standards and provides technical assistance and education to local units of government, which strengthens local accounting practices and promotes efficiency in local government. This Division also conducts audits of federal funds in accordance with the Federal Single Audit Act

⇒ **Government Information** collects, examines, and disseminates information on the financial condition of nearly 3,300 different local units of government and the financial trends affecting government at the local level. This Division issues eight annual reports containing information on local government expenditures, as well as two to three special studies per year. This Division also manages the information technology and network administration needs of the Office.

⇒ **Legal/Special Investigations** works to ensure integrity and accountability in local governments by investigating allegations of malfeasance, misfeasance, or nonfeasance on behalf of taxpayers in the state of Minnesota. This Division supports field staff auditors when evidence of suspected wrongdoing is discovered during financial and compliance audits of local governments. Public employees and elected officials are required by law to report evidence of theft, embezzlement, and unlawful use of public funds or property to the State Auditor's Office. The Division evaluates allegations brought to its attention and, when appropriate, provides specialized auditing services, initiates independent investigations, or refers the matter to the appropriate oversight authority.

⇒ **Pension** is responsible for monitoring investment, financial, and actuarial reporting for approximately 730 public pension funds in Minnesota. This Division tracks local tax dollars that are contributed to these funds and promotes fiscally sound management and compliance with state law. The Division issues annual compilation and investment performance reports.

⇒ **Tax Increment Financing, Investment and Finance** promotes legal compliance and accountability through examination and audit of political subdivisions' use of tax increment financing (TIF). To achieve this end, the Division reviews annual reports containing financial information from the estimated 2,200 TIF districts and performs legal compliance audits on TIF districts throughout the state. In addition, this Division answers citizens' and government officials' questions regarding tax increment financing and provides training on compliance with state TIF laws.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	8,273	8,273	8,273	8,273	16,546
Subtotal - Forecast Base	8,273	8,273	8,273	8,273	16,546
Total	**8,273**	**8,273**	**8,273**	**8,273**	**16,546**
Expenditures by Fund					
Direct Appropriations					
General	8,036	8,792	8,122	8,424	16,546
Statutory Appropriations					
General	625	623	642	660	1,302
Misc Special Revenue	31	31	31	31	62
Total	**8,692**	**9,446**	**8,795**	**9,115**	**17,910**
Expenditures by Category					
Total Compensation	7,696	8,247	7,728	8,039	15,767
Other Operating Expenses	996	1,199	1,067	1,076	2,143
Total	**8,692**	**9,446**	**8,795**	**9,115**	**17,910**
Expenditures by Activity					
Constitutional Office	293	306	315	325	640
Audit Practice	5,550	6,032	5,784	6,009	11,793
Government Information	629	809	550	566	1,116
Legal/Special Investigations	452	571	475	489	964
Pension	453	427	403	422	825
Tax Increment Financing	625	623	642	660	1,302
Operations Mgnt	690	678	626	644	1,270
Total	**8,692**	**9,446**	**8,795**	**9,115**	**17,910**
Full-Time Equivalents (FTE)	**110.7**	**119.3**	**101.8**	**102.6**	

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Activity Description

The Constitutional Office provides senior level management for the State Auditor's Office, overseeing all the Office's divisions, their supervisors, and staff. This budget includes the costs of the state auditor's administrative and official operations.

Activity at a Glance

- Monitors activities of six state boards
- Supervises all the State Auditor's Office divisions
- Provides official and administrative functions

Population Served

The Constitutional Office provides management review and support for the regular and special audits of the Audit Practice Division, Legal/Special Investigations Division, and the Tax Increment Financing, Investment and Finance Division. The Constitutional Office directs the planning for educational programs held for staff and hosted for clients. In addition, the Constitutional Office supports the State Auditor's contribution to, and the Office's role on, the Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

This activity coordinates the dissemination of information regarding the financial condition of local governments, working with local officials to improve the quality of their financial operations to make services more efficient and cost-effective. The Constitutional Office introduces advances in technology, which facilitate the efficient transfer of information among the Government Information Division, Pension Division, and Tax Increment Financing, Investment and Finance Division and to local governments and citizens.

Services Provided

The Constitutional Office furnishes the following services:

⇒ Provides supervisory oversight and direction for all staff.
⇒ Assists with the development, drafting, and distribution of special reports requested by the legislature.
⇒ Offers training programs and conferences for supervisors, staff, clients, and other interested parties, including internal staff training in the areas of audit practice, technical issues, customer service, and human resources.
⇒ Reviews projects to improve the efficiency and effectiveness of the electronic collection and dissemination of local government financial information.
⇒ Supervises the distribution of information collected by the Government Information Division on the financial condition of local governments and the financial trends affecting government at state and local levels.
⇒ Monitors local entities' reporting requirements on a regular basis.
⇒ Oversees policies and practices of the six state boards on which the State Auditor serves.
⇒ Establishes policies and procedures for the Office regarding proper financial controls and administrative procedures.
⇒ Provides assistance and information to citizens, local government officials, and state agencies concerning the operation of the Office.
⇒ Serves as the Office's primary contact with the legislature, citizens, and the media.
⇒ Assists in reviewing regulatory and legal compliance guidance offered by the State Auditor's Office.

Key Measures

⇒ Communicate with local government officials and citizens at board meetings, speaking engagements, and through the release of regular and special audit reports and press advisories.
⇒ Provide continuing education of office staff to ensure a professional and trained audit staff.
⇒ Provide oversight of local government finances through the management of staff responsible for auditing, reviewing, investigating, and collecting data on local entities.
⇒ Monitor the six state boards on which the State Auditor serves.
⇒ Monitor legislation relating to local governments and work to preserve and enhance laws relating to financial accountability.

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Activity Funding

The Constitutional Office activity is funded by the General Fund.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	293	306	315	325	640
Total	**293**	**306**	**315**	**325**	**640**
Expenditures by Category					
Total Compensation	269	274	283	292	575
Other Operating Expenses	24	32	32	33	65
Total	**293**	**306**	**315**	**325**	**640**
Full-Time Equivalents (FTE)	**2.7**	**2.7**	**2.7**	**2.7**	

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Activity Description

Audit Practice plays a primary role in the ability of the State Auditor's Office (Office) to perform its oversight functions by examining the accounting systems of local governments. This Division performs financial and legal compliance audits of local governments and provides them with an independent analysis of the financial effectiveness of their organization. In addition, Audit Practice audits for evidence of inappropriate expenditures and determines whether local government activities are being administered in accordance with certain Minnesota laws.

Activity at a Glance

- Conducts approximately 160 financial and legal compliance audits per year
- Reviews approximately 400 single audits per year
- Conducts annual training for staff and clients on new accounting procedures

Population Served

Audit Practice helps ensure integrity and accountability at the local level by annually conducting approximately 160 financial and legal compliance audits for most counties; the cities of Duluth, Minneapolis, and St. Paul; organizations affiliated with counties and cities; the Metropolitan Council, cities, townships, and school districts and other local entities as required by statute or chosen by the Office. In addition, this Division annually reviews approximately 400 single audit reports submitted by cities, counties, school districts, nonprofit agencies, regional development commissions, housing redevelopment authorities, and other agencies for compliance with federal reporting requirements and generally accepted government auditing standards. The Office then issues a single audit report to the U.S. Department of Agriculture (federal agency responsible for single audit), Department of Finance, the Legislative Auditor, and state agencies receiving federal funding.

Services Provided

Audit Practice provides the following services:

⇒ Audit Practice plans to issue approximately 160 audit reports of counties, cities, organizations affiliated with counties and cities, and other local governments during each of the 2007, 2008, and 2009 fiscal years.

⇒ Audit Practice reports on the condition of local governments' revenues and expenditures, comments on irregularities and deficiencies in local government financial statements, notes issues of legal noncompliance, and recommends changes in local government accounting practices and procedures.

⇒ The Division utilizes the experience of its auditors to make the audit process the most efficient possible, works to enable clients to assist in the audit process, and employs technology for downloading data for analysis at field offices and other computer methods to streamline audits.

⇒ The Division conducts joint staff and client education programs on accounting principles that impact local governments. Client education is of vital importance as new accounting principles adopted by the Governmental Accounting Standards Board are implemented, fundamentally changing the overall accounting practices of local governments.

Key Measures

- 160 audit examinations conducted per year;
- 400 single audit reports reviewed;
- Petition audits completed as requested (averaging two to five per year); and
- Training held for staff and clients on new accounting principles.

Activity Funding

Under M.S. 6.58, all costs of the audit examination must be recovered through fees, generating a significant source of reimbursement for the state. These fees are non-dedicated revenues deposited in the General Fund. Audit work is billed on an hourly basis, plus reimbursable travel expenses, for each client. Besides audit fees, the review of single audit reports is financed by reimbursements to the General Fund by the Department of Finance indirect cost process.

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STATE AUDITOR
Program: STATE AUDITOR
Activity: AUDIT PRACTICE

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	5,519	6,001	5,753	5,978	11,731
Statutory Appropriations					
Misc Special Revenue	31	31	31	31	62
Total	**5,550**	**6,032**	**5,784**	**6,009**	**11,793**
Expenditures by Category					
Total Compensation	5,077	5,453	5,248	5,469	10,717
Other Operating Expenses	473	579	536	540	1,076
Total	**5,550**	**6,032**	**5,784**	**6,009**	**11,793**
Full-Time Equivalents (FTE)	**71.9**	**77.1**	**68.6**	**68.6**	

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Activity Description

The Government Information Division promotes financial accountability for approximately 3,300 Minnesota local governments. This Division prescribes the chart of accounts and reporting requirements for the 855 cities and 1,788 towns, and collects, verifies, and analyzes financial information for cities, towns, special districts, and counties. This local government financial data is compiled into databases and 10 to 12 annual reports or special studies.

Activity at a Glance

- Issues 10 to 12 reports or special studies on local government finances per year
- Issues annual Best Practice Review of local government service delivery
- Maintains financial information on approximately 3,300 local governments

Population Served

The information collected by the Government Information Division provides state and local policymakers with significant data useful in making sound public policy decisions. It also provides local officials and citizens with a better understanding of their financial condition relative to other local governments. The users of the information include local government officials, citizens, the Minnesota Legislature, U.S. Bureau of the Census, and most state agencies.

Services Provided

The Government Information Division collects data and works to effectively disseminate local government financial information to assist with public discussions and policy decisions. This Division continually works to improve the usefulness of the information and enhance the data with meaningful analysis, while improving the overall access to that data. The Government Information Division:

- offers interactive databases and electronic reporting forms on the State Auditor's Office web site;
- revises reporting forms and instructions used to collect routine financial information from local governments;
- reviews and resolves inconsistencies, discrepancies, and reporting errors in financial statements, audits, and reporting forms filed by 87 counties, 855 cities, 564 special districts and 1,788 townships;
- maintains extensive databases of local government financial data within the state, including total revenues, expenditures, and outstanding debt;
- assists with special projects requested by the legislature, including coordinating the collection of data into databases, preparing charts and tables, analyzing data, and publishing reports; issues annual Best Practice Review of local government service delivery;
- maintains the Small Cities and Towns Accounting System (CTAS) software used by over 1,300 small cities and towns throughout the state;
- manages all information technology needs and makes recommendations directly to the State Auditor on technology requirements of the Office;
- provides research and strategic planning support on technology issues to other divisions of the Office;
- makes recommendations on equipment and software purchases;
- provides network and personal computer installation, support, and maintenance;
- procures common network equipment; and
- supervises the local area network, database, and website technical staff.

Key Measures

⇒ Local government financial data is summarized consistently in annual reports with discrepancies and reporting errors corrected.
⇒ Local government financial data is readily available to users in various formats.
⇒ Issues annual Best Practice Review of local government service delivery.
⇒ Manage technology needs, including hardware, software, support and maintenance of the Office network.
⇒ Maintain and support the CTAS software.

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Activity Funding

This Division is funded by the General Fund with supplemental funding, thereby reducing the use of General Fund appropriations. Pursuant to M.S. 477A.014, subd. 4, the commissioner of Revenue deducts $217,000 each year from local government aids for the costs related to the government information function, which reduces this activity's use of the General Fund by a like amount.

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STATE AUDITOR
Program: STATE AUDITOR
Activity: GOVERNMENT INFORMATION

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	629	809	550	566	1,116
Total	**629**	**809**	**550**	**566**	**1,116**
Expenditures by Category					
Total Compensation	535	610	437	453	890
Other Operating Expenses	94	199	113	113	226
Total	**629**	**809**	**550**	**566**	**1,116**
Full-Time Equivalents (FTE)	**9.7**	**10.7**	**6.5**	**6.5**	

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Activity Description

The Legal/Special Investigations Division promotes integrity and accountability in local government by providing legal compliance expertise to the State Auditor's several divisions, and by providing legal compliance information and training to local government officials and private sector accountants. The Legal/Special Investigations Division also investigates allegations of theft or misuse of public funds on behalf of local government officials, law enforcement agencies, private sector accountants, and the citizens of Minnesota. Pursuant to M.S. 6.65, this Division drafts and annually updates the Minnesota Legal Compliance Audit Guide for Local Government which prescribes the minimum procedures and audit scope for audits of local units of government in Minnesota.

Activity at a Glance

- Provides legal compliance expertise to all divisions of the State Auditor's Office.
- Handles over 100 investigative matters per year
- Annually promulgates the Legal Compliance Audit Guide for Local Government which prescribes the scope for audits of local governments in Minnesota.
- Investigates five to ten fraud cases per year

Population Served

The Legal/Special Investigations Division provides legal support to the Constitutional Office, Audit Practice, Government Information, Pension, and Tax Increment, Investment and Finance Divisions. It provides legal compliance information and training to local government officials. The Division investigates allegations of malfeasance, misfeasance, and nonfeasance for Minnesota's 4,300 local units of government in a thorough and timely manner. It communicates findings of wrongdoing to the appropriate agencies and to the public. The Division annually revises the Minnesota Legal Compliance Audit Guide for Local Government and responds to concerns and requests made by private citizens, public officials and employees, legislators, and private sector accountants.

Services Provided

The Legal/Special Investigations Division works to help ensure that Minnesota's 4,300 local units of government administer public funds and property as required by law.

The Legal/Special Investigations Division has expertise in laws applicable to local governmental units, including municipalities, counties and school districts. The Legal/Special Investigations Division provides information and training on public indebtedness, data practices, public sector finance, public contracting, local taxation and special assessments, public purpose, and public sector pension law. The Division reviews audits and special reports for legal compliance. It serves the Office's other divisions, provides the Office with legal compliance support, and prepares annual updates of the Minnesota Legal Compliance Audit Guide for Local Government.

M.S. 609.456 requires local government officials and employees to report evidence of theft, embezzlement, or unlawful use of public funds or property to the State Auditor. The Legal/Special Investigations Division has specialized training in fraud auditing, investigation, criminology, and ethics. This Division investigates allegations that public funds have been stolen or misused to determine whether malfeasance, misfeasance, or nonfeasance have occurred within local governments. When appropriate, the Division provides specialized auditing techniques, initiates an independent investigation, or refers the matter to appropriate prosecutorial or other oversight authorities. In cases that require complex financial investigation, the Division has assisted local law enforcement agencies, county attorneys, the Bureau of Criminal Apprehension, and the Office of the Attorney General.

The Legal/Special Investigations Division supports the Office's audit practice staff and responds to a high volume of inquiries and requests from citizens, government officials, and employees. It recommends corrective action to prevent future illegal or improper spending and activity. Legal/Special Investigations Division staff members speak at training seminars to help local government officials and employees serve as knowledgeable and responsible stewards of public funds and property.

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The Legal/Special Investigations Division comments on major policy issues of statewide impact that relate to assessing the integrity, stewardship, and performance of local government finance, such as audit and competitive bidding requirements, potential conflicts of interest, and public purpose or authority for expenditures. When, in the course of performing the duties of the Office, the State Auditor determines that legislative changes are needed to promote good government and serve the public interest, the Legal/Special Investigations Division drafts proposed legislation for presentation to the legislature.

Key Measures

⇒ Provide high quality legal advice and legal compliance support to all of the Office's divisions.

⇒ Handle in a thorough and timely manner over 100 investigative matters each year, generated by requests for assistance from citizens and law enforcement agencies, formal notification by local government officials and employees pursuant to M.S. 609.456, and by public accountants, pursuant to M.S. 6.67.

⇒ Define the scope of local government legal compliance audits by drafting and annually revising the Minnesota Legal Compliance Audit Guide for Local Government.

⇒ Continue to train and educate local government officials, employees, and auditors on legal compliance and the detection and the prevention of fraud and abuse, as well as violations of law and policy, with the objective of helping local governments evaluate and improve their internal control systems.

Activity Funding

The investigations function of this Division receives funding from the General Fund.

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STATE AUDITOR
Program: STATE AUDITOR
Activity: LEGAL/SPECIAL INVESTIGATIONS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	452	571	475	489	964
Total	**452**	**571**	**475**	**489**	**964**
Expenditures by Category					
Total Compensation	405	520	423	436	859
Other Operating Expenses	47	51	52	53	105
Total	**452**	**571**	**475**	**489**	**964**
Full-Time Equivalents (FTE)	**5.9**	**7.7**	**5.1**	**5.1**	

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Activity Description

The Pension Division monitors investment, financial and actuarial reporting for approximately 730 public pension plans. Its objective is to ensure compliance with state statutes governing the administration of plans covering approximately 20,000 members.

Activity at a Glance

- Monitors approximately 730 public pension funds
- Produces annual financial and investment performance reports

Population Served

The Pension Division mainly serves small volunteer fire relief associations administered by part-time boards and officers, who work with state laws affecting benefit levels, financing, actuarial methods, investment practices, and pension plan administration. The Division plays an important role in the plan review process by attempting to deliver the highest quality service to pension plan members, municipal representatives, policymakers, and taxpayers through: 1) promoting consistent interpretation and application of statutes and bylaws; 2) providing a uniform basis for calculating and reporting investment returns for all public plans; and 3) monitoring plan operations and administration of benefits to effectively measure for compliance with state laws.

Services Provided

The Division's activities fall under the following four categories:

Financial Review – Because financial review is this Division's core function, the Division must:

- manage reporting processes that give pension members, pension boards, local jurisdictions and state policymakers reliable information on the status and funding requirements of local pension plans;
- review all financial reporting forms, actuarial reports, defined contribution allocation tables, and audits for accuracy and completeness; and
- annually develop and distribute reporting forms on financial, investment and administrative matters via hard copies, the Fire Relief Pension Accounting System, and the internet for data entry, form submission, and scenario testing.

Investment Performance Reporting – Responsibilities in this area require the Division to:

- manage reporting processes for time-weighted rate-of-return data collected from approximately 730 pension plans; and
- collect and review investment report submissions, compile and analyze rate-of-return data, and report investment performance information to policymakers, pension plan members, and the public.

Research and Communications – Due to complex pension laws, significant technical resources are required to:

- provide assistance to pension plans on issues relating to state statutes, form submissions, investment policies and valuation of benefits;
- prepare regular reports to policymakers on pension plan status and investment performance; and
- conduct training sessions each year and respond to requests for information from state elected officials and their staff, local officials, and taxpayers.

Compliance Monitoring and Investigation – When monitoring for legal compliance, the Division must:

- evaluate submitted reporting forms and contact pension plan officers, municipal officials, actuaries, attorneys, auditors or investment advisors regarding any technical irregularities or administrative or investment policy concerns; and
- assist the State Auditor's Legal and Audit Practice staff when pension issues arise and prepare reports to the Commissioner of Revenue certifying individual relief associations that are eligible to receive various state aid distributions.

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Key Measures

⇒ Annually review financial documents of approximately 720 public pension plans and produce a compilation report setting forth and explaining the financial condition of the plans.

⇒ Annually review the investment performance reports of approximately 730 pension plans and compile investment performance information into a report for review by policymakers, pension plan members, and the public.

⇒ Prepare reports to the Department of Revenue certifying individual relief associations as eligible to receive various state aid distributions.

⇒ Provide client services, technical resources, and training to public pension plan administrators.

Activity Funding

Under M.S. 356.219, the costs for investment performance reporting (approximately 40% in FY 2006) must be funded from the General Fund. Under M.S. 69.021, subd. 5, the remaining General Fund costs of the Division for this same fiscal year (approximately 60%) will be offset through dollar-for-dollar reductions against state pension-related aids distributed by the Department of Revenue. These costs vary annually based upon the allocation of payroll and other costs between investment and other financial monitoring activities.

Contact

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Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	453	427	403	422	825
Total	**453**	**427**	**403**	**422**	**825**
Expenditures by Category					
Total Compensation	370	352	330	348	678
Other Operating Expenses	83	75	73	74	147
Total	**453**	**427**	**403**	**422**	**825**
Full-Time Equivalents (FTE)	**6.1**	**6.5**	**5.2**	**6.0**	

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Activity Description

In 1996, the legislature transferred all oversight and audit responsibilities for tax increment financing (TIF) districts to the State Auditor's Office. Tax increment financing is a statutory tool used by local governments to encourage economic development, redevelopment, and housing projects, and its use by local governments is subject to complex statutory requirements and limitations.

Activity at a Glance

- Oversees the estimated 2,200 TIF districts administered by 451 TIF authorities
- Conducts in-depth reviews of annual TIF reports on a rotational basis
- Produces annual TIF compliance report

Development and redevelopment of parcels in a TIF district increases the property tax revenue from the parcels. A portion of this revenue can be used to pay associated costs of the development. In 2005, the estimated 2,200 TIF districts throughout the state generated more than $254 million of tax increment revenue to be used for this assistance.

Oversight by the State Auditor's Tax Increment, Investment and Finance Division results in greater statutory compliance with TIF laws by local governments by working to promote consistent and uniform TIF usage. In addition, gathering TIF financial information allows local government personnel, legislators, and citizens access to uniform TIF financial data.

In 2005, the Legislature passed legislation giving the responsibility of auditing "Job Opportunity Business Zones" (JOBZ) to the TIF Division of the State Auditor's Office. However, the Attorney General issued an opinion that the State Auditor could not use the statutory General Fund appropriation generated by deducting 0.36% of tax increment to conduct these audits.

Population Served

The Division promotes legal compliance and accountability of local governments' uses of TIF and related development tools through financial reviews and audits. It collects and analyzes financial information that local governments are required to report annually regarding their uses of tax increment. The Division also performs legal compliance audits on TIF districts throughout the state, answers questions from citizens and local government officials regarding TIF, and conducts and participates in numerous TIF educational programs around the state.

Services Provided

The Division provides the following services:

⇒ Reviews all annual financial reports for TIF districts for substantial completeness; conducts an in-depth review of TIF annual reports; and identifies and advises TIF authorities of problems or issues relating to their annual reports.

⇒ Provides information to local government officials and citizens who request information regarding the lawful uses of TIF.

⇒ Investigates citizen information regarding unlawful uses of TIF and conducts onsite TIF legal compliance audits, as warranted.

⇒ Identifies TIF non-compliance issues, notifies municipalities of such issues, and forwards information regarding violations of TIF law to county attorneys and the Attorney General for possible enforcement action.

⇒ Provides chairs of the legislative committees with jurisdiction over TIF with an annual report describing TIF legal compliance issues.

⇒ Works in cooperation with state agencies, local government associations, local government officials, and other stakeholders to provide training and education to individuals administering TIF districts in the state.

Key Measures

⇒ Collect and review annual TIF reports from the estimated 2,200 TIF districts to determine substantial completeness.

⇒ Conduct in-depth reviews of TIF reports on a four-year rotational basis.

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⇒ Issue initial and final notices of noncompliance resulting from audits of TIF authorities.
⇒ Analyze and prepare reports on the use of TIF and related development tools.
⇒ Prepare and present educational materials on TIF compliance issues.

Activity Funding

The Division is funded exclusively by a statutory appropriation of revenue generated by deducting 0.36% of tax increment distributed to authorities that administer TIF districts. Counties pay the deducted revenue to the Treasury Division of the Department of Finance, which transfers the funds to the State Auditor's Office. The annual revenue from the enforcement deduction will vary depending on the number of active TIF districts and the amount of tax increment generated by those districts.

The tax increment that funds the Division is dedicated revenue that covers the costs of all operations. This activity does not receive a direct General Fund appropriation.

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STATE AUDITOR
Program: STATE AUDITOR
Activity: TAX INCREMENT FINANCING

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
General	625	623	642	660	1,302
Total	**625**	**623**	**642**	**660**	**1,302**
Expenditures by Category					
Total Compensation	534	537	555	572	1,127
Other Operating Expenses	91	86	87	88	175
Total	**625**	**623**	**642**	**660**	**1,302**
Full-Time Equivalents (FTE)	**8.0**	**8.1**	**8.1**	**8.1**	

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STATE AUDITOR
Program: STATE AUDITOR
Activity: OPERATIONS MGNT

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	690	678	626	644	1,270
Total	**690**	**678**	**626**	**644**	**1,270**
Expenditures by Category					
Total Compensation	506	501	452	469	921
Other Operating Expenses	184	177	174	175	349
Total	**690**	**678**	**626**	**644**	**1,270**
Full-Time Equivalents (FTE)	**6.4**	**6.5**	**5.6**	**5.6**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$165	$332	$332	$332
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$165	$332	$332	$332

Recommendation
The Governor recommends additional funding for compensation related costs associated with the operation of the State Auditor's office. This amount represents an annual increase of 2% for General Fund supported personnel costs.

Background
The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing complete balanced budget.

As with the executive branch, the Governor suggests that these offices and institutions receive a compensation adjustment to reflect rising costs due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases. For agencies receiving appropriations from the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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REBECCA OTTO
STATE AUDITOR

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January 22, 2007

To the 2007 Minnesota

The Office of the State Auditor is requesting a 13 percent increase in the State Auditor's General Fund Base Expenditure Appropriation for the following two change items.

The State Auditor is requesting a 9.2 percent increase to retain current staff. Over two-thirds of the increase in funding would be revenue-neutral to the state General Fund, as it would be recovered through audit fees of Audit Practice division.

The State Auditor is also requesting an increase to fund the statutory requirement to audit Job Opportunity Building Zones (JOBZ). The budget request for this purpose is a 3.8 percent increase in General Fund Base Expenditure Appropriation.

As required by law, the Audit Practice division recovers its costs through fees charged to audit clients and therefore, any increase in the appropriation for Audit Practice would be completely offset through additional revenues for the state General Fund. Thus, an increase to the Audit Practice appropriation will not have a negative effect on the bottom line of the state General Fund.

The Office of the State Auditor is charged with overseeing more than twenty billion dollars that is spent annually by local governments in Minnesota. The State Auditor's Office does this by performing audits of local government financial statements, and reviewing documents, data, reports, and complaints submitted to or gathered by the Office. The State Auditor's Office performs approximately 160 audits per year, and collects, verifies, and/or analyzes financial information for approximately 3,300 local governments (87 counties, 855 cities, 1788 towns, 564 special service districts), approximately 730 public pension funds, and an estimated 2,200 tax increment financing districts. In addition, more than 100 special investigation cases are reviewed annually. This financial information that is received from local governments, pension funds, and tax increment financing districts is analyzed and is the basis of statutory required reports issued by the State Auditor's Office. These reports are used at the legislative and local level for policy and planning purposes.

Staff Retention

The Office of the State Auditor is proposing an increase of $751,000 and $787,000 to the State Auditor's budget for 2008 and 2009, respectively, to retain current staff. Ninety (90) percent of the State Auditor's expenditures are related to salaries and benefits. Increasing salary and health care costs have put and continue to put pressure on the State Auditor's ability to retain staff to meet the mission of the Office. Currently, all of the divisions within the Office of the State Auditor are at the minimal level of staffing. The ability or inability to retain current staff levels will have a direct impact on the number of audits performed by the Office. Also, staff retention will impact the number and timing of reports that are prescribed *by* State law.

The effect of this Staff Retention request is minimized by the requirement under Minn. Stat. § 6.58, that all audit costs be recovered through audit fees. This request would generate audit fees of approximately $519,000 in 2008 and $546,000 in 2009. The audit fees would be non-dedicated revenues deposited in the General Fund and would reduce the effect of this request to $232,000 in 2008 and $241,000 in 2009, which represents a Net Fiscal Impact in the State Auditor's General Fund Appropriation of 2.8 percent and 2.9 percent, respectively.

Job Opportunity Building Zones (JOBZ)
During the 2005 legislative session, a law was passed that required the TIF division of the Office of the State Auditor to provide oversight by annually auditing the creation and operation of all job opportunity building zones (JOBZ) and business subsidy agreements entered into under the JOBZ Act. Funding for these new responsibilities was not included at the time of the legislation was enacted. In addition, the Attorney General recently issued an opinion that the State Auditor could not use the statutory General Fund appropriation generated by deducting 0.36% of tax increment to conduct these audits. The Office of the State Auditor is proposing an increase of $340,000 and $285,000 to the State Auditor's budget for 2008 and 2009, respectively, to perform these duties. This request represents a 4.1 and 3.4 percent increase in the State Auditor's budget for 2008 and 2009, respectively, and will have a direct impact on whether or not these new responsibilities will be able to be performed.

Audit Practice Division
The core function of the State Auditor's Audit Practice division is the auditing of local governments as required by state law. Audit Practice prescribes accounting systems, and audits, or reviews the audits, of the accounts and records of the 87 counties, all cities of the first class and their subdivisions, and various special service districts, including the Metropolitan Council. In addition, the Audit Practice division "may" audit other cities, school districts, towns, development authorities, and soil/water conservation districts if it is determined these audits are in the best interest of the public.

Many local government officials hold the Audit Practice division in high regard for its auditing standards. Local governments who "may" be audited often prefer to be audited by State Auditor's Audit Practice division. Currently, we are not always able to accommodate them due to staffing levels. Additionally, petition audits by citizens add to the important work that the Office performs, and staff retention is critical to be able to perform these audits in a timely manner. They could be delayed or limited in scope due to personnel limitations, which would not be in the public's best interest.

Currently there are more than 2,000 local governments that are required to have an annual audit of some type. Of these, the State Auditor audits 160 or 7.9%. Private certified public accounting firms audit the rest of the local governments. For the State Auditor's Office to remain efficient and effective in its oversight of local government spending it is important to retain current staff so the State Auditor can continue performing the current number of audits.

Although funded through the General Fund, Minnesota statutes require the Office of the State Auditor to recover its audit costs through fees charged to the entities it audits. Those fees are deposited back into the General Fund essentially resulting in Audit Practice expenses not having a financial impact on the state General Fund.

The budget request *for* the Audit Practice division is $11,731,000 or 71% of the biennial budget.

Other Divisions
The other divisions of the State Auditor's Office are Legal/Special Investigations, Government Information, Pension, and Constitutional Office. The Legal/Special Investigations, Government Information, and Pension divisions review special investigation cases, and collect, verify, and/or analyze financial information for counties, cities, towns, special districts and public pension funds. The Constitutional Office oversees the management of all the divisions. The budget request for these divisions is $4,815,000 or 29% of the biennial budget.

Sincerely,

Rebecca Otto
State Auditor

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$751	$787	$804	$823
Revenues	568	596	610	624
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$183	$191	$194	$199

Recommendation
The State Auditor recommends an increase in the Office of the State Auditors General Fund Expenditure Appropriation to help retain current staff. Ninety percent of the State Auditor's expenditures are related to salaries and benefits and increasing salary and health care costs continue to put pressure on the State Auditor's ability to retain staff to meet the mission of the Office.

Background
The mission of the State Auditor's Office is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities. The state auditor's staff audits and reviews documents relating to the finances of local government entities, including counties, cities, school districts, townships, public pension funds, tax increment financing districts, and special districts. The State Auditor's Office is organized into six divisions: Audit Practice; Legal/Special Investigations; Government Information; Pension; Tax Increment Financing, Investment and Finance; and the Constitutional Office.

The State Auditor's staff of 115 accounts for 90% of the Office's expenditures. The increasing salary and health care costs continue to put pressure on the State Auditor's ability to retain staff. This change item will help the State Auditor retain the necessary staff to meet the mission of the office.

The effect of this change item is minimized by the requirement under Minn. Stat. § 6.58, that all audit costs be recovered through fees. Fees of approximately $568,000 in 2008 and $596,000 in 2009 are non-dedicated revenues deposited in the General Fund.

The effect of this change item is further minimized by the requirement under M.S. 69.021, subd. 5, which provides that for approximately 60% of the costs of the Pension Division to be offset through dollar for dollar reductions against state pension related aids distributed by the Department of Revenue. The dollar-for-dollar reductions are not represented in the Fiscal Impact table above because they are a reduction in state pension related aids paid by the state to local governments and therefore reduce the effect of this change item by $27,000 in 2008 and $28,000 in 2009.

Relationship to Base Budget
This change item represents an increase in the State Auditor's General Fund Appropriation of 9.1% in 2008 and 9.5% in 2009. The Net Fiscal Impact of $183,000 in 2008 and $191,000 in 2009 represents an increase in the State Auditor's General Fund Appropriation of 2.2% and 2.3%, respectively.

Key Measures
This change item will allow the State Auditor to continue providing services at their current level.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$210	$160	$167	$173
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$210	$160	$167	$173

Recommendation
The State Auditor recommends additional staffing for the Tax Increment Financing (TIF) Division to audit Job Opportunity Building Zones (JOBZ). The increase in staffing levels requires an increase in the Direct General Fund Expenditure Appropriation for the TIF Division that will not be offset by any revenues.

Background
The TIF Division promotes legal compliance and accountability of local governments' uses of TIF and related development tools through financial reviews and audits. It collects and analyzes financial information that local governments are required to report annually regarding their uses of tax increment. The Division also performs legal compliance audits on TIF districts throughout the state, answers questions from citizens and local government officials regarding TIF, and conducts and participates in numerous TIF educational programs around the state.

Minnesota Session Laws 2005, 1st Special Session, Chapter 3, Article 7, Section 19 required the TIF Division of the Office of the State Auditor to annually audit the creation and operation of all job opportunity building zones (JOBZ) and business subsidy agreements entered into under the JOBZ Act. Funding for these new responsibilities of the Office of the State Auditor was not included at the time of the requirement. In addition, the Attorney General recently issued an opinion that the State Auditor could not use the statutory General Fund appropriation generated by deducting 0.36% of tax increment to conduct these audits.

The Office of the State Auditor determined the scope and nature of the JOBZ audits after meeting with House and Senate Taxes Committees legal staff and committee members, as well as with administrative staffs of the Department of Revenue and Department of Employment and Economic Development. We are not aware of any opponents of the proposed audit or possible controversies. The request for the audit was first included in the Senate version of the 2003 Omnibus Tax Bill. That bill was not enacted in 2003. In 2005, the request for the audit was included and enacted in the 2005 Omnibus Tax Bill.

Relationship to Base Budget
This change item represents a 2.5% and 1.9% increase in the State Auditors General Fund Base Expenditure Appropriation for 2008 and 2009, respectively. This change item represents the first direct General Fund Appropriation for the TIF Division.

Key Measures
The TIF Division of the Office of the State Auditor plans to hire one intermediate auditor and one full-time intern (i) to investigate and analyze the data with respect to the creation and operation of JOBZ and (ii) to prepare an annual report to the legislature. Current support and supervisory staff of the Office of the Auditor will provide the necessary support and supervision. The State Auditor believes the new staff will provide the necessary personnel needed to carry out the legislative request to the TIF Division, enacted in the 2005 Omnibus Tax Bill.

Alternatives Considered
This change item has two alternatives. First, the Law could be changed to allow for the collection of a fee to manage the collected data and conduct audits. This alternative would still require an increase in the State Auditor's General Fund Appropriation for the Office of the State Auditor but would be offset by an equal increase

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in revenue collected for the state General Fund. This means that an increased appropriation for the State Auditor's Office would have no effect on the bottom line of the General Fund.

As a second alternative, if this change item is not funded, the State Auditor recommends that the Minnesota Session Laws 2005, 1st Special Session, Chapter 3, Article 7, Section 19 requiring the TIF Division of the Office of the State Auditor to annually audit the creation and operation of all job opportunity building zones (JOBZ) and business subsidy agreements entered into under the JOBZ Act be repealed.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	5,962	6,011	6,153	6,390	12,543
Other Revenues:					
General	0	3	0	0	0
Total Non-Dedicated Receipts	**5,962**	**6,014**	**6,153**	**6,390**	**12,543**
Dedicated Receipts:					
Other Revenues:					
Misc Special Revenue	33	31	31	31	62
Total Dedicated Receipts	**33**	**31**	**31**	**31**	**62**
Agency Total Revenue	**5,995**	**6,045**	**6,184**	**6,421**	**12,605**

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➲ Designates that this item is a change item

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MINNESOTA OFFICE OF HIGHER EDUCATION
reach higher

January 22, 2007

To the 2007 Legislature;

On behalf of Governor Pawlenty, I am pleased to submit the FY 2008-09 budget recommendations for higher education. These recommendations make significant new investments at the University of Minnesota and the Minnesota State College and Universities System (MnSCU), building on the gains of recent years so that we can continue to provide Minnesotans with a high quality, strategically-focused and accessible system of public postsecondary education. The Governor's recommendations strike a balance between support for institutions and support for the state grant program and other student-centered proposals such as the new ACHIEVE program.

The total recommended general fund appropriation for higher education, including the Office of Higher Education and the Mayo Clinic, is $3.2 billion. This amount is a 16.3% increase over FY 2006-07, and includes $276 million in new funding for the University of Minnesota and the MnSCU. Also included in that total is $50 million in performance funding, to support the work that the two systems are doing to move towards tangible and measurable outcomes.

Again this year, the Governor's budget invests in the strategic priorities of the University of Minnesota. As the primary academic research institution in the state, in FY 2006 the University of Minnesota brought in nearly $576 million of research funds to Minnesota from the federal government and other sponsors. The FY 2008-09 budget recommendations for the University include new funding for strategic investments in educating the health care workforce, for initiatives in translational research and in science and engineering to build a healthier society, for competitive compensation for faculty to attract and retain the best minds, and for continued research in biofuels.

In addition, the Governor's budget recommends $38 million of new funding for operating support of the University's research partnership in biotechnology and medical genomics with the Mayo Clinic. When this partnership was created, the Governor promised state support of $70 million over a five-year period, and we are pleased to recommend this final installment of state support for this important partnership.

The Governor's budget recommendations for MnSCU provide new resources to support their strategic direction and action plan. MnSCU plays a key role in educating Minnesota's workforce. The system serves about 34% of Minnesota's undergraduates at 32 colleges and universities located on 53 campuses. The recommendations and funding will allow MnSCU to continue to recruit and retain students, to meet critical workforce needs, especially in the areas of STEM education and in the biosciences, and to update its technology infrastructure, a key element in their ability to continue to advance online learning opportunities

We look forward to working with the Legislature in the coming months.

Sincerely,

Susan Heegaard
Director, Office of Higher Education

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Agency Purpose

The Minnesota State Colleges and Universities system of distinct and collaborative institutions offers higher education that meets the personal and career goals of a wide range of individual learners, enhances the quality of life for all Minnesotans and sustains vibrant economies throughout the state.

The diverse institutions within the system offer an unequaled breadth, variety and quality of educational opportunities across the state. Collectively and in partnership the colleges and universities offer learning opportunities for a technologically sophisticated world that result in:

- contributing and empowered citizens;
- active participants in a democratic society;
- educated, skilled, and adaptable workers;
- innovative lifelong learners;
- practical research and development; and
- successful communities.

At A Glance

- Largest provider of higher education in Minnesota, educating about 240,000 students in credit courses annually.
- Serves another 130,000 students in non-credit courses.
- Graduates 32,000 students each year.
- Produces the largest share of the state's new teachers, accountants, police officers, nurses, computer professionals, firefighters, technicians, trades people and others from a broad range of disciplines.
- The system has seven universities and 25 colleges on 53 campuses in 46 Minnesota communities.

Vision – Minnesota State Colleges and Universities will enable the people of Minnesota to succeed by providing the most accessible, highest value education in the nation.

The uniqueness and diversity of the Minnesota State Colleges and Universities and the power of a unified system will enable the Minnesota State Colleges and Universities to excel as the most accessible, highest quality, and innovative education provider in the region.

Core Functions

Teaching and learning are the core functions of the Minnesota State Colleges and Universities.

Operations

The colleges and universities serve students in credit-based courses, non-credit courses and customized training. The colleges and universities offer an extremely wide array of credit-based courses leading to masters, bachelors, and associate degrees, as well as occupational certificates and diplomas. They also offer non-credit continuing education courses and direct training services to businesses, nonprofit organizations and government agencies seeking to improve their employees' skills.

Educational programs are delivered at 53 campus locations statewide, comprising 26 million square feet of space, or approximately one-third of the state's building inventory. Each one of the 32 Minnesota state colleges and universities contribute to the civic, economic, and cultural life in the 46 communities in which they are located.

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Budget

Revenue

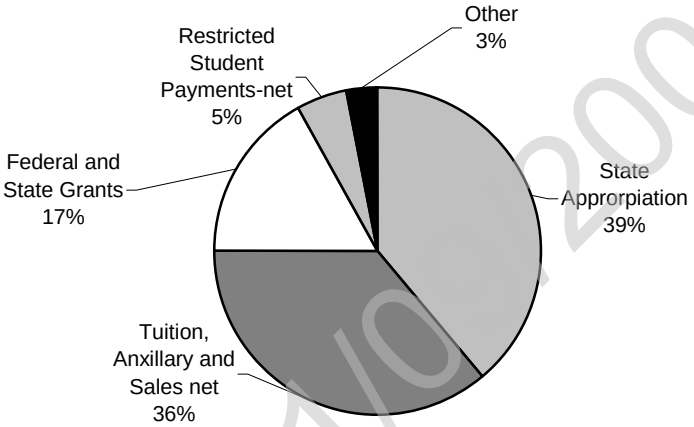
State appropriations comprise 39% and tuition and fee revenue comprises 36% of the system's revenue. Other major sources include federal and state grants. Ninety percent of the state appropriation is allocated to the colleges and universities. All tuition and fee revenues generated by the colleges and universities remain with the institution that generated them.

Expenditures

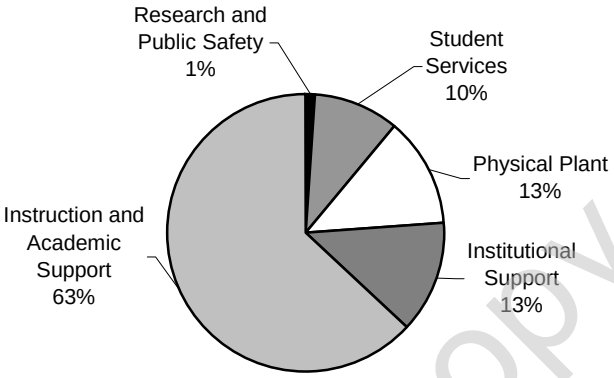
Compensation accounts for 68% of the Minnesota State Colleges and Universities total expenses.

Instruction and academic support comprise approximately 63% of Minnesota State Colleges and Universities functional activities.

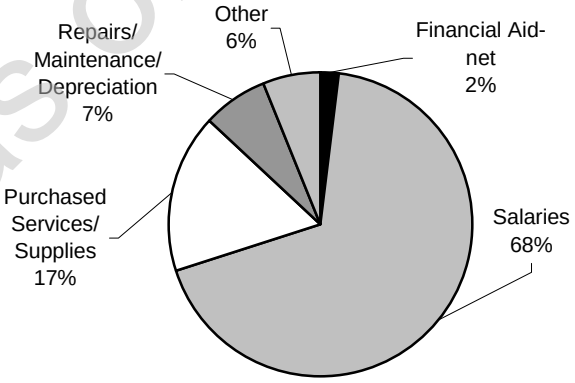
Revenues - All Funds
FY 2005 $1.4 Billion



Functional Expenditures - General Fund
FY 2005 $1.2 Billion



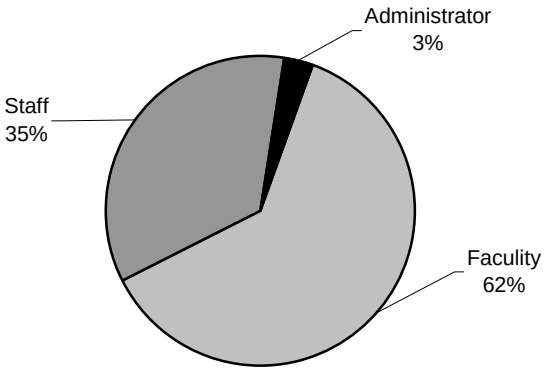
Expenditures - All Funds
FY 2005 $1.4 Billion



Employees

Faculty comprises 62% of the 17,653 headcount employees.

Employees
Headcount FY 2006



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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Mn State Colleges/universities					
Current Appropriation	600,694	602,194	602,194	602,194	1,204,388
Recommended	**600,694**	**602,194**	**664,194**	**663,194**	**1,327,388**
Change		0	62,000	61,000	123,000
% Biennial Change from 2006-07					10.4%
Expenditures by Fund					
Direct Appropriations					
Mn State Colleges/Universities	595,739	602,163	664,194	663,194	1,327,388
Statutory Appropriations					
Mn State Colleges/Universities	627,047	736,010	704,758	712,609	1,417,367
Mnscu Special Revenue	10,317	10,362	9,300	9,300	18,600
Mnscu Federal Fund	48,202	46,928	47,000	47,000	94,000
Mnscu Agency Fund	24,407	22,985	23,000	23,000	46,000
Mnscu Gift Fund	323	290	200	200	400
Sub Supplemental & Ira Retire	783	356	270	270	540
Mnscu Enterprise Activities	9,216	9,023	8,455	8,455	16,910
Mnscu Endowment Fund	6	5	5	5	10
Total	**1,316,040**	**1,428,122**	**1,457,182**	**1,464,033**	**2,921,215**
Expenditures by Category					
Local Assistance	1,316,040	1,428,122	1,457,182	1,464,033	2,921,215
Total	**1,316,040**	**1,428,122**	**1,457,182**	**1,464,033**	**2,921,215**
Expenditures by Program					
Mn State Colleges & Univs	1,316,040	1,428,122	1,457,182	1,464,033	2,921,215
Total	**1,316,040**	**1,428,122**	**1,457,182**	**1,464,033**	**2,921,215**

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: MN STATE COLLEGES/UNIVERSITIES				
FY 2007 Appropriations	**602,194**	**602,194**	**602,194**	**1,204,388**
Subtotal - Forecast Base	**602,194**	**602,194**	**602,194**	**1,204,388**
Change Items				
Strategic Advancements	0	17,000	21,000	38,000
Infrastructure	0	45,000	15,000	60,000
Performance Bonus	0	0	25,000	25,000
Total Governor's Recommendations	**602,194**	**664,194**	**663,194**	**1,327,388**
Fund: MN STATE COLLEGES/UNIVERSITIES				
Planned Statutory Spending	**736,010**	**704,758**	**712,609**	**1,417,367**
Total Governor's Recommendations	**736,010**	**704,758**	**712,609**	**1,417,367**
Fund: MNSCU SPECIAL REVENUE				
Planned Statutory Spending	**10,362**	**9,300**	**9,300**	**18,600**
Total Governor's Recommendations	**10,362**	**9,300**	**9,300**	**18,600**
Fund: MNSCU FEDERAL FUND				
Planned Statutory Spending	**46,928**	**47,000**	**47,000**	**94,000**
Total Governor's Recommendations	**46,928**	**47,000**	**47,000**	**94,000**
Fund: MNSCU AGENCY FUND				
Planned Statutory Spending	**22,985**	**23,000**	**23,000**	**46,000**
Total Governor's Recommendations	**22,985**	**23,000**	**23,000**	**46,000**
Fund: MNSCU GIFT FUND				
Planned Statutory Spending	**290**	**200**	**200**	**400**
Total Governor's Recommendations	**290**	**200**	**200**	**400**
Fund: SUB SUPPLEMENTAL & IRA RETIRE				
Planned Statutory Spending	**356**	**270**	**270**	**540**
Total Governor's Recommendations	**356**	**270**	**270**	**540**
Fund: MNSCU ENTERPRISE ACTIVITIES				
Planned Statutory Spending	**9,023**	**8,455**	**8,455**	**16,910**
Total Governor's Recommendations	**9,023**	**8,455**	**8,455**	**16,910**
Fund: MNSCU ENDOWMENT FUND				
Planned Statutory Spending	**5**	**5**	**5**	**10**
Total Governor's Recommendations	**5**	**5**	**5**	**10**

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Program Description

Minnesota's 25 state colleges and seven universities provide an array of high quality and low cost educational programs to residents in all parts of the state.

Technical colleges offer education for employment - courses and programs that teach specific knowledge and skills leading to particular jobs. The programs range in length from three months to two years.

Community colleges provide the first two years of a four-year college education. Graduates of community colleges can transfer to Minnesota state universities and other colleges to complete four-year degrees. Community colleges also offer general education courses and occupational career programs that directly prepare students for jobs.

Program at a Glance

- Largest provider of higher education in Minnesota, educating about 240,000 students each year.
- Eighty-eight percent of students are Minnesota residents.
- Eighty-six percent of graduates get jobs related to their major or program within one year after graduation.
- Eighty-one percent of graduates stay in Minnesota to work or to continue their education.

Combined technical and community colleges are two-year colleges that offer a mix of technical college and community college courses and programs. These colleges offer the opportunity to start a bachelor's degree or pursue a two-year career program leading immediately to employment.

Minnesota's four-year state universities offer courses and programs leading to bachelors, masters, and advanced degrees. Programs are offered in liberal arts and sciences and in professional fields.

Population Served

Minnesota State Colleges and Universities is the largest provider of higher education in the state of Minnesota with 32 institutions serving approximately 240,000 (unduplicated headcount) students annually in for-credit programs or 136,000 full-year equivalents (FYE). The state colleges and universities also serve 141,000 students and 6,000 businesses through customized training. The institutions provide applied research and public service to Minnesota communities in all regions of the state. Enrollment is 97% undergraduate. In FY 2005, the system served more than 26,500 students of color, more than all other Minnesota higher education providers combined. Students of color comprise 13.4% of all students. Thirty-six percent are 25 or older. The average age of our students is 26.3. About 42% attend part-time.

Services Provided

The state colleges and universities offer more than 3,500 educational programs. In the past year more than 30,000 students took online courses, a 40% increase since 2004. Through Minnesota Online, the state colleges and universities offer more than 150 programs completely or predominantly online and more than 3,000 courses.

Historical Perspective

In July 1995, the former community college, technical college and state university systems merged to become the Minnesota State Colleges and Universities system.

Program Funding

The state general fund appropriation to the system totaled $602 million in FY 2007. That amount included resources for general operating expenses as well as $6 million per year for competitive salary adjustments to university and college faculty and staff, and $5 million per year for Centers of Excellence around the state. State General Fund resources support approximately 50% of the system's total FY 2007 budget. The balance of the budget is generally supported through tuition and fee revenue.

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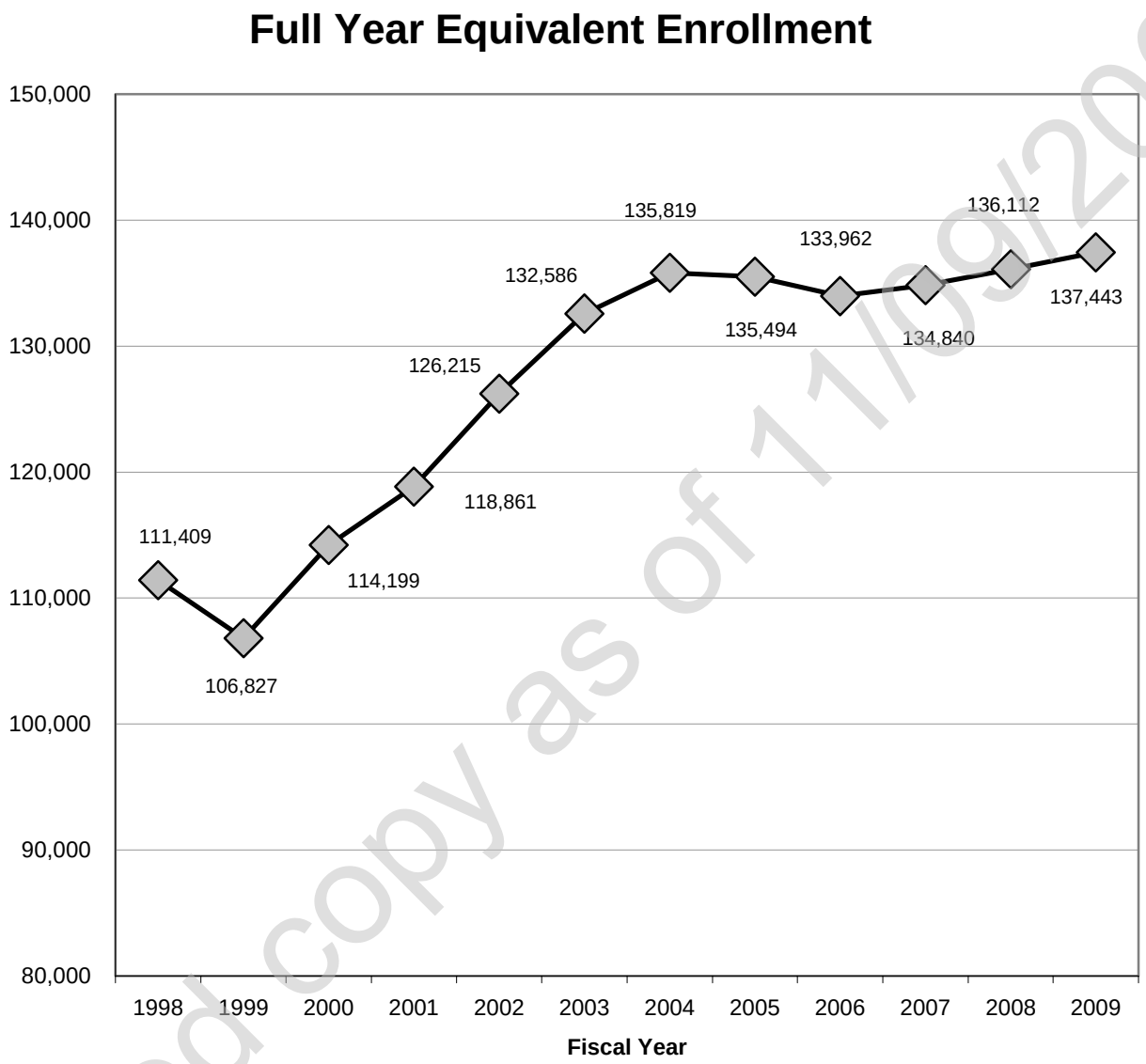
Key Measures



The system's FYE enrollment is calculated by dividing the total number of undergraduate credits in a given year by 30 (considered to be a full academic load for an undergraduate student). For graduate FYE, the total number of graduate credits is divided by 20 (considered to be a full academic load for a graduate student).

In January 2006, the Board of Trustees approved "Designing the Future: Minnesota State Colleges and Universities Strategic Plan 2006-2010." The strategic plan identifies four strategic directions that are the system's priorities. Those directions include:

⇒ Strategic Direction 1: Increase access and opportunity.
⇒ Strategic Direction 2: Promote and measure high-quality learning programs and services.
⇒ Strategic Direction 3: Provide programs and services integral to state and regional economic needs.
⇒ Strategic Direction 4: Innovate to meet current and future educational needs efficiently.

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The plan also contains specific goals within each of the directions. A system action plan has been developed to identify outcomes and outcome measures. Additional information about the strategic and action plans is available on the system website at: http://www.mnscu.edu/media/publications/pdf/strategicplan_2006-10_full.pdf

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
Mn State Colleges/Universities	595,739	602,163	664,194	663,194	1,327,388
Statutory Appropriations					
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Expenditures by Category					
Local Assistance	1,316,040	1,428,122	1,457,182	1,464,033	2,921,215
Total	**1,316,040**	**1,428,122**	**1,457,182**	**1,464,033**	**2,921,215**
Expenditures by Activity					
Mn State Colleges And Univ	1,316,040	1,428,122	1,457,182	1,464,033	2,921,215
Total	**1,316,040**	**1,428,122**	**1,457,182**	**1,464,033**	**2,921,215**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$17,000	$21,000	$21,000	$21,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$17,000	$21,000	$21,000	$21,000

Recommendation

The Governor recommends a total of $17 million in FY 2008 and $21 million in FY 2009 from the General Fund to the Minnesota State Colleges and Universities (MnSCU), to provide funding for elements of its Strategic Advancement initiative.

Included in these recommended amounts is $6 million each year for MnSCU's Access, Opportunity and Success initiative and full funding for each element of MnSCU's Academic Innovations proposal: STEM expansion; a new Center of Excellence in biosciences; allied health curriculum development; and management innovations.

Background

Access, Opportunity and Success

The Governor recommends new funding of $12 million for the biennium to allow MnSCU to improve the accessibility of its member institutions for traditionally underrepresented groups of students. These additional resources will enable MnSCU campuses to develop new or enhance existing outreach/recruitment and retention projects that are based on the system's experience with proven federal educational opportunity "TRIO" programs (like Student Support Services and Upward Bound) whose reach has been restricted by limited availability of the federal program dollars.

Academic Innovations

STEM Expansion. The Governor recognizes that MnSCU institutions play an important role in educating and training many of the state's future teachers, and supports MnSCU's request for new funding to innovate and improve campuses' education in the fields of science, technology, engineering and mathematics (STEM). By increasing enrollments in STEM courses, promoting career opportunities in STEM-related industries, and increasing the number of teaching graduates who are prepared to teach science and math in K-12 schools this initiative will better position the state and its workforce in the technology-focused economy.

Bioscience Center of Excellence. In the 2006-07 biennium the Governor recommended funding for MnSCU to establish up to eight Centers of Excellence, which are focused postsecondary programs of excellence at selected MnSCU institutions. With the funding provided MnSCU is implementing four Centers, in information technology; health care; manufacturing and applied engineering; and in engineering. By establishing distinctive high quality programs in specific fields, Minnesota 1) provides its students with educational and economic opportunities equal to the best in the world; 2) attracts students, faculty, talent and jobs from outside Minnesota; 3) leverages external support from employers and other organizations; 4) builds a more strategic educational system that provides pathways to degrees in ways best suited to today's students, and 5) helps Minnesota reclaim its status as a leader and innovator in education. The Center of Excellence model, where a four-year university is the lead institution supported by several two-year colleges as partner institutions, is making good progress and showing great promise. The Governor is now recommending the full requested amount of funding ($3 million for the FY 2008-09 biennium) for MnSCU to establish a fifth Center of Excellence in biosciences.

Allied Health Curriculum Development. The Governor recognizes the challenges Minnesota faces of because of shortages in the health professional workforce and supports efforts by the state's public higher education systems to increase their capacity to educate and train more health professionals in order to more effectively respond to the state's need for these workers. MnSCU's initiative for allied health curriculum development has the potential to expand enrollments in allied health programs, and to change and improve the way health

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education in conducted across the state. The Governor recommends the full requested amount of funding ($3 million for the FY 2008-09 biennium) for the allied health curriculum development initiative.

Management Innovations. The Governor also supports the board's management innovation initiative, as proposed at $10 million for the FY 2008-09 biennium, to fund the human resources aspects of the innovation focus in the board's strategic plan. MnSCU would use the new resources recommended by the Governor for this initiative to encourage behavior that supports innovation and removes barriers to enable the system to more efficiently and effectively deliver its educational product and increase responsiveness to the unique needs of the changing student population. As a result, tangible support will be provided to the most innovative and productive of employees.

Relationship to Base Budget

This $38 million total recommendation represents 30.9% of the Governor's proposed $123 million increase in state funding for the MnSCU system. Overall, the Governor's $123 million package for new initiatives at MnSCU will result in a 10.4% increase over MnSCU's appropriated amounts for the FY2006-07 biennium.

Key Measures

The recommendation:

- increases the likelihood that underrepresented students enroll for a first year of college and continue and complete their postsecondary education;
- expands the promising Centers of Excellence model of innovation in program offerings;
- increases enrollments in science, technology, engineering and mathematics courses;
- increases enrollments in allied health programs; and
- improves MnSCU's ability to deliver its educational product efficiently and effectively.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$45,000	$15,000	$15,000	$15,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$45,000	$15,000	$15,000	$15,000

Recommendation
The Governor recommends $45 million in FY 2008 and $15 million in FY 2009 for MnSCU's highest priority technology projects. These new funds will enable MnSCU to expand its online educational technology resources and tools throughout the state, as well as to address some of the deferred maintenance and desired modernization MnSCU has identified in a strategic study of its technology infrastructure.

Background
MnSCU's technology infrastructure underlies and supports the system's ability to operate as a higher education system. Technology is the key to more than just online learning opportunities – it also enables MnSCU to operate central and fundamental administrative and support systems efficiently throughout the geographically dispersed campus locations. The Governor recognizes and supports the system's initiative to update and improve the availability, security and reliability and of its computing resources and technology infrastructure, but suggests a more measured approach with respect to new, ongoing base resources for technology. The recommended funding will allow MnSCU to address its most critical technology needs as well as strengthen and expand Minnesota Online and other e-learning opportunities for students and faculty.

Relationship to Base Budget
This $60 million initiative represents 48.8% of the Governor's proposed $123 million increase in state funding for the MnSCU system. Overall, the Governor's $123 million package for new initiatives at MnSCU will result in a 10.4% increase over MnSCU appropriated amounts for the FY2006-07 biennium.

Key Measures
The recommendation:

- improves MnSCU's ability to provide a secure online environment for student learning and "back office" technology applications;
- enables MnSCU to increase the number of students taking online courses and/or increase online course offerings; and
- allows MnSCU to provide its online resources and tools to students in a modernized and more efficient computing environment.

Statutory Change: Not Applicable

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Change Item: Performance Bonus

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	$25,000	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	$25,000	0	0

Recommendation

The Governor recommends $25 million in FY 2009 from the General Fund to provide a one-time funding bonus for MnSCU, encouraging public review and understanding of the MnSCU system and its performance. This recommended funding would be available to MnSCU once the system demonstrates that it has met at least three of five MnSCU-specific performance goals, listed below in the Key Measures section. MnSCU administration must report to the chairs of the legislative committee divisions with jurisdiction over its budget and to the Office of Higher Education (OHE) no later than 4/1/08. When MnSCU demonstrates that it has attained the specified goals, and OHE certifies that information to the commissioner of finance, this appropriation would be released.

Background

The MnSCU Board of Trustees has adopted a strategic plan for 2006-2010 that covers four strategic directions: 1) to increase access and opportunity; 2) to promote and measure high quality learning programs and services; 3) to provide programs and services integral to state and regional economic needs; and 4) to innovate to meet current and future educational needs efficiently. MnSCU posts this plan on its website (http://www.mnscu.edu/about/strategicplan.html). The board adopts an annual system action plan that is designed to advance the strategic goals; the action plan is also posted on the MnSCU website. (http://www.mnscu.edu/about/actionplan.html.)

Each MnSCU budget request reflects, and is intended to advance, the system's strategic directions and goals. MnSCU institutions also use the strategic plan to establish campus priorities. MnSCU's administration measures performance towards meeting the strategic goals through a system level accountability framework.

The Governor's recommended performance goals are taken from, or are related to, measures that MnSCU is tracking as part of its annual Action Plan.

Relationship to Base Budget

This $25 million initiative represents 20.3% of the Governor's proposed $123 million increase in state funding for the MnSCU system. Overall, the Governor's $123 million package for new initiatives at MnSCU will result in a 10.4% increase over MnSCU appropriated amounts for the FY2006-07 biennium.

Key Measures

In order to access this funding, MnSCU must demonstrate that it has attained at least three of the following quantifiable performance measures:

- Increase percentage of students who take college-level courses in Science, Technology, Engineering and Math by 5%;
- Increase enrollment of upper division-designated Center of Excellence programs by 5% each year;
- Increase the number of students trained on the use of electronic medical record technology by at least 1,400;
- Increase number of students taking online courses and/or increase online course offerings by 10%; and
- Expand the reach/utilization by 10% of "awards of excellence" or other initiatives that reward member institutions, faculty, administrators or staff for innovations designed to advance excellence and efficiency.

Statutory Change: Not Applicable

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Minnesota State Colleges and Universities
2008-09 Biennial Budget Request

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$23,000	$27,000	$27,000	$27,000
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$23,000	$27,000	$27,000	$27,000

Request

The Minnesota State Colleges Universities requests $23 million in FY 2008 and $27 million in FY 2009 for strategic advancement initiatives in five component areas: targeted services for underserved/underrepresented populations; expanded learning opportunities in science, technology, engineering and math (STEM); the establishment of a biosciences center of excellence; curriculum development in allied health; and management innovation.

Background

Access, Opportunity and Success:

The Board of Trustees has proposed $12 million in FY 2008 and $12 million in FY 2009 for a total of $24 million in new state appropriation resources for support of comprehensive statewide retention strategies targeted to underserved/underrepresented students. This proposal will be matched with $10 million in existing resources for a total of $34 million.

This initiative is designed to address the needs of students who have traditionally been underrepresented in higher education, including low-income students, students whose parents did not attend college, and students of color, by taking a multi-level, multifaceted approach to improving the academic achievement and college success of these students. It would include the establishment of college and university partnerships to provide outreach and college awareness programs for high school students. Colleges and universities will develop programs similar to the successful TRIO Upward Bound and Student Support Services, the federal educational opportunity programs designed to motivate and support students.

Key Measures:
The system-level outcomes from these initiatives are significant. The outreach and recruitment activities are projected to result in increased enrollment of new students at the colleges and universities in fall of 2008 of approximately:

- 6,700 underrepresented students and 1,500 new students of color.

During the 2007-08 academic year, the new or expanded retention initiatives are projected to provide academic support services to about:

- 17,000 underrepresented students and 5,500 students of color.

Academic Innovations:
The Board of Trustees has recommended $5 million in FY 2008 and $5 million in FY 2009 for a total of $10 million to improve and expand learning opportunities in science, technology, engineering and math—areas of study known as STEM. The funding will increase student enrollment in STEM courses, promote career opportunities in STEM-related industries and increase the number of Minnesota teachers prepared to teach science and math at the K-12 level. This initiative would be matched with $5 million in existing resources for a total of $15 million.

Key Measures:
The initiative will enable the system to meet two key targets that have been established under the system's current strategic plan:

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⇒ Increase the percent of students enrolled in at least one college-level STEM course each year from 44.9% to 47.8% over the biennium, an increase of 6,900 students by 2009.
⇒ Increase the number of secondary teachers prepared for licensure in science and math by 119 or an increase of 115.5% between fiscal years 2005 and 2011.

An additional $1.5 million in FY 2008 and $1.5 million in FY 2009 for a total of $3 million is requested to support the first two years of operation of a biosciences center of excellence. The public and private sectors have made significant investments in the state's research infrastructure, with the goal of making Minnesota a global leader in the biosciences. The proposal will ensure that the state has the highly skilled workforce it will need to capitalize on the significant investments made in biosciences research and development.

Key Measures:
The measures for the biosciences center will be similar to those set for the existing four Centers of Excellence, including:

- Graduate outcomes
- Student learning outcomes
- Related business and/or industry certification and support
- Faculty qualifications
- Other outside funding
- Local, state and national programmatic accreditation and recognition
- Enrollment/placement trends
- Advisory committee(s) in existence
- Access to quality facilities and equipment
- PK-12 partnerships

An allied health program curriculum development request of $1.5 million in FY 2008 and $1.5 million in FY 2009 for a total of $3 million is proposed which will enable the system to increase the number of nursing graduates in high-growth regions of the state with redesign of curriculum and seamless programming to the baccalaureate and graduate-degree levels. The initiative would also promote the retention of frontline caregivers in Minnesota's long-term care facilities through innovative delivery of skills training using game-based learning and training, particularly for on-the-job skill training for incumbent workers. The initiative is proposed to foster a partnership with the University of Minnesota for stronger foundations at two-year institutions so that students can transition into upper-division coursework at the University's Center for Allied Health Programs. This would include the development of on-line courses in physiology, biochemistry and microbiology. This initiative would also provide instruction using electronic medical record technology so that Minnesota's healthcare students graduate with the necessary skills and competencies to practice in EMR healthcare facilities by 2010.

Key Measures
⇒ Increase the number of nursing graduates by 25% over the biennium with an emphasis on increasing the number of students educated at the baccalaureate and graduate level. This will result in 950 more nursing graduates over the biennium.
⇒ Improve recruitment and retention of under-represented students in nursing and allied health.
⇒ Provide training to approximately 1,400 students on the use of electronic medical record systems.
⇒ Deliver simulated training in ten long-term care facilities with diverse populations of workers.

A management innovation initiative is proposed at $10 million to fund the human resources aspects of the innovation focus in the board's strategic plan. The request is for $3 million in FY 2008 and $7 million in FY 2009. The board's strategic direction four – "Innovate to meet current and future educational needs efficiently" – includes a goal that focuses on rewarding and supporting institutions, administrators, faculty and staff for innovations that advance excellence and efficiency. Another goal directs the system to identify and remove barriers to innovation and responsiveness. New resources would be used to encourage behavior that supports

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innovation and removes barriers to enable the system to more efficiently and effectively deliver its educational product and increase responsiveness to the unique needs of the changing student population.

Key Measures:
One key measure will be the competitiveness of our total compensation for each employee group relative to the appropriate peer group. Success would be to ensure that the system has the ability to provide total compensation to the most innovative and productive of employees above the 70th percentile of the appropriate peer group.

Relationship to Base Budget

This budget request builds on activities the system has already launched in these areas and is tied directly to the priorities identified in "Designing the Future: Minnesota State Colleges and Universities Strategic Plan 2006-2010" adopted by the Board of Trustees in January 2006. The strategic plan was designed specifically to build upon the activities that are currently being undertaken and to prioritize the areas of focus to advance the goals of the system into the future through innovation in all areas. The total appropriation request of $177 million represents a 15% increase in state resources over the FY 2008-09 biennium.

Alternatives Considered

The alternatives considered in developing this request included phasing in of the initiatives and funding the initiatives with an ever greater reliance on tuition resources. The significant delay in making progress on the initiatives as a result of a phased in approach and asking student to pay substantially higher tuition were both unacceptable approaches.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$48,666	$78,191	$78,191	$78,191
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$48,666	$78,191	$78,191	$78,191

Request

The Minnesota State Colleges and Universities system requests $49 million in FY 2008 and $78 million in FY 2009 for infrastructure related initiatives focused on technology and inflation.

Background

A. Technology Infrastructure

The Board of Trustees is requesting $30 million in FY 2008 and $40 million in FY 2009 in additional state appropriation to accelerate the enhancement, expansion and full integration of innovative technology systems and resources for the student learning environment; and to achieve and sustain enhanced availability, security, and support for its technology infrastructure. These enhancements will include systems supporting student learning administration, student services, enterprise learning and administrative portals. This funding also will support the initial development of a key strategic initiative for innovation within the system: establishment of a statewide learning grid that will seamlessly unite online educational technology resources and tools and make them available to students and faculty at any time and any place. Projects to be implemented with the use of these resources include retooled administrative systems; financial management support systems; student records; human resources and employee services; project and portfolio management; management decision support; new student services and student learning online tools; new faculty research and development online tools; and new career and business/entrepreneurship online tools.

All of the initiatives in this portion of the request support the board's strategic direction to increase access and opportunity by providing an expansion of educational programming throughout the state.

The proposed increase in the technology budget, supported by an extensive strategic study, addresses deferred maintenance in technology infrastructure. It lays the groundwork for significantly advancing the following goals:

⇒ Achieving a high level of availability and security for all mission-critical services and provide matching funding for college and university technology infrastructure upgrades.
⇒ Providing the technical foundation for delivering personalized student learning, student services and faculty support.
⇒ Stabilizing the costs of ongoing computing infrastructure support by implementing technology life-cycle planning, system wide standards and statewide partnerships and aggregated technology purchasing.
⇒ Providing administrative tools and management dashboards that allow for real-time tracking of metrics, data-driven analysis and forecasting, and improved ability for strategic decision making.
⇒ Establishment of a robust foundation for the statewide learning grid that will enable seamless access to educational resources throughout the state.

The following projects will be undertaken with the new resources provided by this initiative:

⇒ Service Oriented Architecture: The underlying "service oriented architecture" for all enterprise systems and interfaces will be based on a set of loosely coupled and inter-operable services.
⇒ Identity Management**:** An enterprise identity management infrastructure lies at the foundation of all enterprise and campus applications. In addition to managing identities for the MnSCU population, the extended Identity

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Management system will implement federated identity management for sharing resources with other state agencies and partner institutions.

⇒ Data and Network Center Modernization: Serving as the Command and Control Center for the learning grid, the significantly upgraded Data and Network Center will achieve maximum uptime but also will also be provisioned for business continuity and disaster recovery. An upgraded network operations center will allow 24x7 system monitoring and accelerated response. Continued investment in technologies such as SAN (Storage Area Network), Oracle RAC (Real Application Clusters), and enterprise tape backup systems are required to achieve high availability and data integrity.

⇒ Network Infrastructure: The network infrastructure constitutes the interstate system for the learning grid. The network infrastructure will offer increased bandwidth, greater fault tolerance and accommodate resource sharing through new technologies such as grid computing.

⇒ Trusted Systems: The ambitious statewide learning grid concept will require trusted systems that ensure data privacy and security and allow for smooth flow of information and credentials between nodes on the system and partner institutions.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	$4,000	$7,000	$7,500	$8,000	$8,250	$8,650
Supplies	500	1,000	1,000	1,100	1,100	1,200
Hardware	5,000	7,500	5,000	5,000	6,500	6,000
Software	4,000	5,000	8,000	7,000	7,250	6,750
Facilities	3,500	3,000	3,000	5,000	3,000	3,500
Services	7,000	7,500	6,500	4,900	4,900	4,900
Training	1,000	1,500	1,500	1,500	1,500	1,500
Grants	5,000	7,500	7,500	7,500	7,500	7,500
TOTAL	**$30,000**	**$40,000**	**$40,000**	**$40,000**	**$40,000**	**$40,000**

Personnel: permanent staff; some based regionally and at campuses
Facilities: Data Center modernization, space lease
Services: consulting, network fees, software as a service
Grants: directed to campuses for infrastructure and innovation

Key Measures:

Each of the major business goals will be accompanied by direct and indirect performance metrics.

Item	Metric	Type
System availability	Increased uptime: 99.9%	Direct
Exceptional learning environment and student services	Student and faculty satisfaction, increased retention, improved academic performance, growth in online programs	Indirect
Statewide learning grid	Increased partnerships and collaboration, improved K-12 stream, improved access for remote and diverse learners, increased revenue from continuing and executive education	Indirect
Efficiencies	Lower costs, demonstrated ROI, increased integration and system interoperability	Direct
Strategic Decision Making	Improved access to real-time data	Direct, Indirect

B. Inflation

The Board of Trustees is requesting $18.7 million in FY 2008 and $38.2 million in FY 2009 in additional state resources to support inflation on the system's base costs. In accordance with the Department of Finance guidelines, inflation is assumed at 3.25%. Within the inflation assumption, insurance inflation is assumed to be 10%. In the past several biennia, insurance increases have been in the double digits. Overall, the inflation

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assumptions incorporated into this budget request total $130 million. Revenues to cover these inflation costs would be a combination of increased state resources and tuition dollars as follows:

⇒ State appropriation support in the amount of $57 million outlined above.
⇒ Average system wide tuition increase of 4% per year to generate $73 million. The package assumes a 4% average annual tuition increase system wide.

In addition to these resources, the system will reallocate $10 million of existing resources to supplement the amount available to cover inflation, bringing it to 3.5%. The total reallocation of existing base resources in the system's total request is $25 million for FY 2008-09.

Relationship to Base Budget

The inflation related component of this request includes an increase in state resources equal to $57 million over the biennium matched with $73 million in increased tuition support to finance inflation at a rate of 3.25% on the system's base. Reallocation of $10 million of current base resources is proposed to finance an additional 0.25% of inflationary costs.

The $70 million biennial increase that is requested for technology initiatives would increase the system's technology base from its current level of $20 million per year to $60 million per year by FY 2009.

Alternatives Considered

Given the fact that the system's current technology infrastructure is based on a platform in existence before the merger of the three separate systems in the 1990s and that the Uniface platform itself is no longer widely supported, updating has become a critical need. Due to the breadth of the needs, existing system resources are insufficient to finance the necessary changes

The bulk of the system's inflation request is related to collective bargaining activities. The state's budgetary problems over the last several years have built intense pressure on the compensation component of the system budget. Maintaining quality faculty and staff has been and continues to be a priority for the system. Compensation packages that are competitive with system peers are critical to that quality.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Grants:					
Mn State Colleges/universities	12,999	12,029	12,029	12,029	24,058
Mnscu Special Revenue	4,173	3,663	3,663	3,663	7,326
Mnscu Federal Fund	45,633	46,500	46,500	46,500	93,000
Mnscu Gift Fund	112	85	85	85	170
Other Revenues:					
Mn State Colleges/universities	639,789	685,137	689,265	697,116	1,386,381
Mnscu Special Revenue	764	583	583	583	1,166
Mnscu Federal Fund	491	500	500	500	1,000
Mnscu Agency Fund	46	35	35	35	70
Mnscu Gift Fund	110	115	115	115	230
Sub Supplemental & Ira Retire	191	250	250	250	500
Mnscu Enterprise Activities	9,076	8,450	8,450	8,450	16,900
Mnscu Endowment Fund	4	3	3	3	6
Other Sources:					
Mn State Colleges/universities	7,316	3,456	3,456	3,456	6,912
Mnscu Special Revenue	5,853	5,054	5,054	5,054	10,108
Mnscu Federal Fund	5	0	0	0	0
Mnscu Agency Fund	23,571	22,965	22,965	22,965	45,930
Sub Supplemental & Ira Retire	20	20	20	20	40
Mnscu Enterprise Activities	-3	5	5	5	10
Taxes:					
Mn State Colleges/universities	8	8	8	8	16
Total Dedicated Receipts	**750,158**	**788,858**	**792,986**	**800,837**	**1,593,823**
Agency Total Revenue	**750,158**	**788,858**	**792,986**	**800,837**	**1,593,823**

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➲ Designates that this item is a change item

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State of Minnesota
Department of Finance

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January 22, 2007

To the 2007 Legislature:

I respectfully submit for your consideration the Governor's FY 2008-09 budget proposal for the judicial branch agencies, including the Supreme Court, the Court of Appeals, the Trial Courts, the Legal Professions Boards, and the Board of Public Defense. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

The Governor recommends a general funding increase of 4% per fiscal year for the major judicial branch agencies to recognize compensation-related, caseload, and other cost pressures in the criminal justice area. The Governor makes no specific recommendations on judicial branch agency change requests for the FY 2008-09 biennium.

The Governor also recommends $200,000 in FY 2007 as a deficiency request for the Board of Public Defense to deal with increased transcript costs.

Sincerely,

Tom J. Hanson

Tom J. Hanson
Commissioner

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Agency Purpose

Minnesota's Supreme Court is the state's court of last resort, serving as the final guardian of the state constitution and interpreting/applying the United States Constitution. The court is responsible for overseeing the machinery of justice in the state, for regulating the practice of law, and making recommendations for improvement of the judicial system.

⇒ The mission of the judicial branch is to provide justice through a system that assures equal access for the fair, competent, and timely resolution of cases and controversies.

⇒ The judicial branch vision is that the general public and those who use the court system will refer to it as accessible, fair, consistent, responsive, free of discrimination, independent, and well managed.

Core Functions

The Supreme Court has original jurisdiction in remedial cases as prescribed by law, appellate jurisdiction over all cases, and supervisory jurisdiction over all courts in the state. The Supreme Court's supervisory jurisdiction includes the authority to prescribe, amend, and modify the rules of practice in all courts; the rules governing the examination and admission of attorneys to the state bar; and the rules governing judicial and attorney professional conduct.

The Chief Justice serves as chair for the Minnesota Judicial Council and is responsible for supervising the administrative operations of the state court system, including the financial affairs of the court system and the assignment of judges to serve in courts needing assistance.

At A Glance

- Supreme Court reviews more than 800 cases a year.
- The judicial branch operates in a constantly changing environment.
  - ⇒ Laws, case types, and legal sanctions change annually.
  - ⇒ Caseload volume is determined by other branches and levels of government, and by private citizens and business entities who bring disputes for resolution.
- The Minnesota Judicial Branch contains a judicial system of over 281 judges, 16 Court of Appeals judges, seven Supreme Court Justices, 3,000 employees and 23,000 attorneys.
- The courts recently completed a major financial transition from county-based funding to state funding for all of its ten judicial districts.
- Redesign of core court technology is underway.
  - ⇒ Implementation of the Minnesota Court Information System (MNCIS) is underway.
- The Minnesota Courts regularly review their effectiveness by monitoring
  - ⇒ case filing trends;
  - ⇒ case clearance rates; and
  - ⇒ elapsed case time from filing to disposition.

The Supreme Court conducts its administrative functions in support of the following three strategic priority areas:

⇒ **Access to Justice** – Ensuring the justice system is open, affordable, effective, and accountable to the people it serves.

⇒ **Administering Justice for More Effective Results** – Working across branches of government and with other stakeholders to improve outcomes for and the delivery of services for children, families, and alcohol and other drug (AOD) addicted offenders who come into our courts.

⇒ **Public Trust Accountability and Impartiality** – Through education, outreach to diverse communities, and a commitment to system-wide customer service and accountability, improving citizens' understanding of and confidence in the Third Branch of government.

Operations

The adjudicative and supervisory functions of the Supreme Court have an impact on all Minnesota citizens.

Adjudicative Operations

In reviewing more than 800 cases each year, justices are assisted in their work by law clerks and the Supreme Court Commissioner's Office.

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Supervisory Operations
In the Chief Justice's role as chair of The Minnesota Judicial Council and general supervisory role over the courts, he is assisted by the State Court Administrator's Office, which provides the administrative infrastructure for the judicial branch.

Working at the direction of the Judicial Council, the state court administrator is responsible for providing judicial branch finance, human resources, technology, training, communications, research/evaluation, caseload management, and cross-district judicial assignment services.

Budget
Of the funding for the Supreme Court, 87% is from General Fund direct appropriations. Federal grants represent 10% of the funding for the court. The balance of the funding is from special revenue funds and other grants and gifts, representing 3% of the courts funding.

Contact

Minnesota Supreme Court
Minnesota Judicial Center
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Saint Paul, Minnesota 55155

Home page: http://www.courts.state.mn.us

Sue Dosal
State Court Administrator
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Phone: (651) 296-2474
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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	42,196	43,211	43,211	43,211	86,422
Recommended	**42,196**	**43,211**	**44,682**	**46,585**	**91,267**
Change		0	1,471	3,374	4,845
% Biennial Change from 2006-07					6.9%
Expenditures by Fund					
Direct Appropriations					
General	40,393	44,975	44,682	46,585	91,267
Statutory Appropriations					
General	418	163	0	0	0
Misc Special Revenue	1,348	1,224	1,111	1,126	2,237
Federal	4,512	4,564	4,475	4,550	9,025
Miscellaneous Agency	1	1	1	1	2
Gift	55	64	70	49	119
Total	**46,727**	**50,991**	**50,339**	**52,311**	**102,650**
Expenditures by Category					
Total Compensation	19,069	21,244	21,027	21,027	42,054
Other Operating Expenses	14,399	16,115	15,985	17,957	33,942
Local Assistance	13,259	13,632	13,327	13,327	26,654
Total	**46,727**	**50,991**	**50,339**	**52,311**	**102,650**
Expenditures by Program					
Supreme Court Operations	33,573	37,466	37,119	39,091	76,210
Civil Legal Services	13,154	13,525	13,220	13,220	26,440
Total	**46,727**	**50,991**	**50,339**	**52,311**	**102,650**
Full-Time Equivalents (FTE)	**239.3**	**249.1**	**249.1**	**249.1**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**43,211**	**43,211**	**43,211**	**86,422**
Technical Adjustments				
One-time Appropriations		(1,040)	(1,040)	(2,080)
Subtotal - Forecast Base	**43,211**	**42,171**	**42,171**	**84,342**
Change Items				
Judicial Branch Increase	0	2,511	4,414	6,925
Total Governor's Recommendations	**43,211**	**44,682**	**46,585**	**91,267**
Fund: GENERAL				
Planned Statutory Spending	**163**	**0**	**0**	**0**
Total Governor's Recommendations	**163**	**0**	**0**	**0**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**1,224**	**1,111**	**1,126**	**2,237**
Total Governor's Recommendations	**1,224**	**1,111**	**1,126**	**2,237**
Fund: FEDERAL				
Planned Statutory Spending	**4,564**	**4,475**	**4,550**	**9,025**
Total Governor's Recommendations	**4,564**	**4,475**	**4,550**	**9,025**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**1**	**1**	**1**	**2**
Total Governor's Recommendations	**1**	**1**	**1**	**2**
Fund: GIFT				
Planned Statutory Spending	**64**	**70**	**49**	**119**
Total Governor's Recommendations	**64**	**70**	**49**	**119**

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Program Description

Minnesota's Supreme Court is the state's court of last resort, serving as the final guardian of the state constitution and interpreting/applying the United States Constitution. The court is responsible for overseeing the machinery of justice in the state, for regulating the practice of law, and making recommendations for improvement of the judicial system.

Program at a Glance

- Supreme Court reviews more than 800 cases a year
- Supreme Court oversees judicial system of over 297 judges, 3,000 employees, and 23,000 attorneys

Population Served

The adjudicative and supervisory functions of the Supreme Court have an impact on all Minnesota citizens.

Services Provided

The Minnesota Supreme Court considers appeals from judgments of the Court of Appeals, the Workers Compensation Court of Appeals, and the Tax Court. It hears special term matters, motions, and petitions for extraordinary relief. The Supreme Court also hears mandatory cases. This includes first-degree murder, tax court and workers' compensation court of appeals, as well as attorney discipline.

In addition to this appellate function, the Supreme Court supervises admission to the practice of law in the state and regulates legal practice. The court also promulgates rules governing practice and procedure in the courts throughout the state, a function that involves special advisory committees and requires numerous public hearings.

Key Measures

The Supreme Court seeks to maintain or improve the dispositional time while maintaining the high quality of legal analysis and clarity of its decisions.

The Supreme Court seeks to use its personnel:

- to manage its workload so that each case receives adequate attention as its importance demands;
- to decide petitions for review within 60 days;
- to maintain an orderly and uniform legal process and procedure throughout the state through the promulgation of uniform rules;
- to regulate the admission to and practice of law in Minnesota so that each citizen seeking legal counsel is assured of competent representation;
- to ensure the financial integrity of the court system in accordance with generally accepted accounting principles and to ensure correct payment of invoices within the statutorily required 30 days; and
- to ensure the effective operation of the state court system in a way that provides access to all citizens.

Program Funding

The general fund primarily funds the Supreme Court Operations budget. A small amount of support from the special revenue fund is received for the State Law Library, the Court Interpreter Program, and the Attorney Registration Program. Some federal funds are received and directed towards children's initiatives.

Contact

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	29,876	30,891	30,891	30,891	61,782
Technical Adjustments					
One-time Appropriations			(1,040)	(1,040)	(2,080)
Subtotal - Forecast Base	29,876	30,891	29,851	29,851	59,702
Governor's Recommendations					
Judicial Branch Increase		0	2,511	4,414	6,925
Total	**29,876**	**30,891**	**32,362**	**34,265**	**66,627**
Expenditures by Fund					
Direct Appropriations					
General	28,376	32,352	32,362	34,265	66,627
Statutory Appropriations					
General	418	163	0	0	0
Misc Special Revenue	211	322	211	226	437
Federal	4,512	4,564	4,475	4,550	9,025
Miscellaneous Agency	1	1	1	1	2
Gift	55	64	70	49	119
Total	**33,573**	**37,466**	**37,119**	**39,091**	**76,210**
Expenditures by Category					
Total Compensation	19,069	21,244	21,027	21,027	42,054
Other Operating Expenses	14,397	16,115	15,985	17,957	33,942
Local Assistance	107	107	107	107	214
Total	**33,573**	**37,466**	**37,119**	**39,091**	**76,210**
Expenditures by Activity					
Supreme Court Operations	5,086	5,424	7,770	9,652	17,422
State Court Administration	26,538	29,930	27,315	27,405	54,720
Law Library Operations	1,949	2,112	2,034	2,034	4,068
Total	**33,573**	**37,466**	**37,119**	**39,091**	**76,210**
Full-Time Equivalents (FTE)	**239.3**	**249.1**	**249.1**	**249.1**	

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Program Description

Appointed by the Supreme Court, the Legal Services Advisory Committee distributes funds to civil legal services programs to provide legal assistance to low-income persons meeting statutory income eligibility guidelines. By statute, 85% of the funding is granted to six regional legal services programs (Coalition Programs) with 38 offices or projects throughout the state, which had demonstrated an ability as of 7-1-82 to provide legal services with funds provided by the federal Legal Services Corporation.

Program at a Glance

- Number of grant programs – 27
- Number of people served – 35,610 individual cases
- Number of people served – 70,000 (est.) by preventative education

The remaining 15% of the funding is awarded annually on a competitive basis to nonprofit organizations providing legal or alternative dispute resolution services. In FY 2005, 27 programs received grants to provide or support legal services to the poor.

Population Served

An estimated 432,000 or approximately 9% of Minnesota's population, with incomes below the federal poverty level could qualify for civil legal services under the statutory guidelines of this program. (M.S. 480.24-480.244). In the fall of 2005, the Legal Services Corporation issued a report entitled, **Documenting the Justice Gap in America.** This national study (which included Minnesota) established that for every client who received legal aid services, one applicant was turned away. The Minnesota Supreme Court's Minnesota Legal Services Planning Commission, in 2005, after considering a variety of studies, determined that **"nevertheless, in Minnesota, as in the rest of America, a very large percentage, perhaps, more than three-quarters of the legal needs of the disadvantaged remains unaddressed."**

Because of the nature of poverty, nearly 70% of persons served by the Legal Services Coalition are women and their children. Nearly 15% are age 60 or over and over 37% are persons of color. Nearly 20% of legal aid's clients are persons with physical or mental disabilities and 14% are English language learners.

Services Provided

Through representation, negotiation, conciliation, community education, and preventative law work, lawyers in these programs constructively resolve the legal problems of low-income applicants for program services. Most of the legal problems handled by these programs directly and significantly affect the day-to-day lives of persons in need: their homes, family, health, support for their children, and personal safety.

Historical Perspective

Since the early 1980s Legal Services Coalition programs have experienced a 60% increase in requests for services while program income in real dollars has increased only to the extend that programs are able to serve 20% more Minnesotans. Funding for civil legal services in Minnesota is a combination of state, federal, foundation, and private funding. The Minnesota Legal Services Planning Commission has recommended, in 2005, "that the Minnesota legislature increase the funding for delivery of civil legal services to the disadvantaged."

The Supreme Court has assessed attorneys an annual fee to support legal services which raises $1 million annually. Among the six Legal Services Coalition programs, volunteer attorneys have contributed time valued in excess of $1.6 million annually.

In 2005 the estimated funding for the Legal Services Coalition programs will be $25,339,605 from the following sources:

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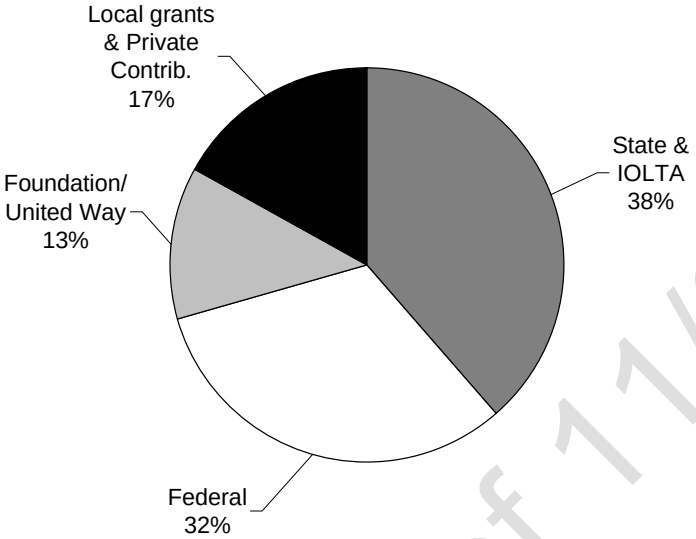
Civil Legal Services
Estimated Funding
(Total: $25 million)



Key Measures

Due to reduced revenue in 2001-2004, legal aid served about 11% fewer clients. State funding increases in 2005 helped to restore some of these legal services. However, further reductions in civil legal services are expected in the next biennium with the further decline in federal funding dollars.

Program Funding

Program grants are funded by a General Fund appropriation and dedicated revenue from a licensed attorney assessment.

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Bruce A. Beneke, Executive Director
Southern Minnesota Regional Legal Services
166 E. 4th Street, Suite 200
Saint Paul, Minnesota 55101-1473

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	12,320	12,320	12,320	12,320	24,640
Subtotal - Forecast Base	12,320	12,320	12,320	12,320	24,640
Total	**12,320**	**12,320**	**12,320**	**12,320**	**24,640**
Expenditures by Fund					
Direct Appropriations					
General	12,017	12,623	12,320	12,320	24,640
Statutory Appropriations					
Misc Special Revenue	1,137	902	900	900	1,800
Total	**13,154**	**13,525**	**13,220**	**13,220**	**26,440**
Expenditures by Category					
Other Operating Expenses	2	0	0	0	0
Local Assistance	13,152	13,525	13,220	13,220	26,440
Total	**13,154**	**13,525**	**13,220**	**13,220**	**26,440**
Expenditures by Activity					
Legal Services	13,154	13,525	13,220	13,220	26,440
Total	**13,154**	**13,525**	**13,220**	**13,220**	**26,440**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,511	$4,414	$4,414	$4,414
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,511	$4,414	$4,414	$4,414

Recommendation

The Governor recommends a general funding increase for the major judicial branch agencies to recognize compensation-related, caseload, and other cost pressures in the criminal justice area. The Governor makes no specific recommendations on judicial branch agency change requests.

Background

The Governor respects the separation of powers and the desire of officials in the judicial branch and legislative branches and other constitutional officers to independently present their requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete and balanced budget.

Relationship to Base Budget

Base funding for state courts in the judicial branch in the FY 2008-09 biennium is $563 million. The funding increase recommended is about 8.2% for the biennium.

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THE SUPREME COURT OF MINNESOTA
MINNESOTA JUDICIAL CENTER
25 REV. DR. MARTIN LUTHER KING JR. BLVD.
ST. PAUL, MINNESOTA 55155

CHAMBERS OF
RUSSELL A. ANDERSON
CHIEF JUSTICE

(651) 296-3380

January 22, 2007

The 2007 Minnesota Legislature:

On behalf of the hundreds of thousands of litigants, 304 judges, and 3000 employees of the judicial branch of the State of Minnesota, I transmit the FY08-09 budget request for the Minnesota Judicial Branch.

In addition to the FY08-09 base budget for the Supreme Court, the Court of Appeals, and the District Courts, I am transmitting six change requests highlighting additional needs of the judicial branch for the next biennium. Those requests are:

- $38,914,000 in projected salary and insurance increases to Maintain Core Justice Operations by funding current staffing levels
- $8,310,00 for caseload growth in mandated services: interpreters, psychological services, guardians ad litem, and in forma pauperis services
- $9,632,000 for new trial court and court of appeals judges to handle the ever increasing caseloads in our courts
- $5,606,000 for our Strategic Plan initiatives
- $517,000 to address the need for security at the Minnesota Judicial Center
- $4,000,000 for Civil Legal Services for the Poor

The Minnesota judiciary recently culminated a two-decade effort to change the structure of our judicial branch in a way that will better meet the needs of Minnesota's citizens and the increasing demands placed on our court system. What was once a confederation of state appellate and county-funded trial courts is now a unified, state funded branch of government. The Judicial Council, a single statewide policy-making entity, has replaced the various policy groups associated with the dispersed court structure. These changes present a tremendous opportunity for the judicial branch to more equitably, efficiently, and effectively serve the citizens of Minnesota.

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As one of its first tasks, the Judicial Council developed a new strategic plan for the judicial branch, which sets a clear direction over the next three years for the operation of the unified court system. This strategic plan serves as a roadmap for the judicial branch – guiding judges and court employees as they perform their work, prioritizing the use of scarce judicial branch resources, and measuring the success of the courts as we strive to achieve our mission. The new strategic plan sets forth three long-term goals for the court system: (1) Access to Justice; (2) Administering Justice for Effective Results; and (3) Public Trust, Accountability, and Impartiality. Implementation of these goals is critical to achieving the full vision of a consolidated judicial branch.

At the same time, enormous caseload pressures continue, including the pervasive impact of methamphetamines on nearly every case type. Likewise, the need for services mandated by federal and state laws, such as interpreters, guardians ad litem, and psychological services, continues to grow.

State Funding and Judicial Branch Efficiencies

Over the past several years, the responsibility for funding trial court operations has shifted from county to state government. During this same time, the judicial branch has experienced little financial flexibility because of base budget cuts in FY04-05 and fewer funds provided in FY06-07 than were needed by the judicial branch.

Nonetheless, the judicial branch has endeavored to implement system changes aimed at providing services more efficiently and uniformly across the state. This has included consolidating court administrator positions so that over one-third of all court administrators (33 of 85) now serve more than one county; consolidating district administrator positions in the seventh and eighth judicial districts; sharing staff and moving work across county and district lines; developing an on-line self help center which is available across the state through the judicial branch website; contracting out collection efforts to obtain greater return on collection of court imposed fines and fees; and completing on schedule and within budget the implementation of MNCIS – a new statewide case management system which will provide better information to judges, court staff, criminal justice partners statewide, and the public. Our commitment to developing new performance standards will also guide the judicial branch toward new efficiencies.

The judicial branch has also effected fundamental reforms in programs that became state funded over the last several years to improve quality, coverage, and cost efficiency. For example, upon the transfer to state funding, the guardian ad litem (GAL) function in the state was a patchwork quilt of 56 different programs, delivering services of disparate quality with inadequate coverage for hundreds of abused and neglected children each year and at highly variable costs. Since that time, the number of programs has been reduced to ten (one per judicial district) and now operate with much greater consistency and efficiency. The number of supervisory staff has been cut nearly in half. Statewide training and a comprehensive quality assurance program have been implemented as well. And, most importantly, the number of children served has increased dramatically.

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The statewide interpreter program also has undergone a comprehensive and policy-based reform resulting in improved program oversight, uniform rates of compensation, and timely provision of qualified spoken and sign language interpreters. Best practices and statewide training, testing, and certification, as well as a comprehensive procedure for handling ethics complaints against interpreters, have been instituted. Similar work is underway to improve the psychological examination and pro se services functions, as well.

To address the historic disparity in county funding of our trial courts, we have embarked on a long-term equity effort to equalize resources over ten judicial districts. Nearly $5 million was reallocated from within the trial court base budget in FY06 and again in FY07 to help equalize resources among the districts. It is the policy goal of the judicial branch that citizens of this state should have access to equitable kinds and levels of judicial services regardless of where they live to give meaning to our belief in equal justice under law. The budget we have proposed will enable us to continue those efforts.

No Control Over Workload

The Minnesota judiciary is an open door for justice in this state. Our workload is dictated by the will of prosecutors enforcing state and local laws, the desires of citizens and businesses for redress, and the needs of children and other vulnerable adults for protection. The judicial branch is unable turn away those who enter the courthouse to seek our services. The judiciary has an impact on the lives of citizens from birth to death. Unlike state agencies, the judiciary does not run programs and has no discretionary services. All resources of the court system support the adjudication of matters brought to us by the citizens of the state.

I am therefore presenting to the Governor and to the 2007 Legislature for consideration, a FY08-09 budget request, as outlined above, which funds the resources necessary to meet the constitutional and statutory mandates of the judicial branch and provide the citizens of this state with the quality of judicial services that they expect and deserve.

Very truly yours,

Russell A. Anderson
Chief Justice

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Supreme Court

	FY08	FY09	Total
Adjusted Base Budget	$42,171	$ 42,171	$84,342
Change Requests:			
Maintain Core Justice Operations	1,070	2,163	3,233
Strategic Plan Initiatives	559	714	1,273
Security	295	222	517
Civil Legal Services	2,000	2,000	4,000
Total Request	$ 46,095	$ 47,270	$ 93,365

The Supreme Court is the highest court in the state. The Court is, in effect, the final arbiter of the constitutional rights of the people of the state of Minnesota. The State Court Administrator's Office is included in the Supreme Court budget. The State Court Administrator's Office serves as staff to the Judicial Council, provides services to the entire Judicial Branch, including human resources, finances, legal research, information technology, statewide program management, and research and evaluation services. The State Court Administrator's Office is responsible for implementation of MNCIS and integration of problem-solving approaches for chemically dependent offenders in trial courts throughout the state.

The Supreme Court requests additional funding as follows:

- **Maintain Core Justice Operations** seeks to fund employee and projected insurance cost increases to be negotiated by the Department of Employee Relations.

- **Strategic Plan Initiatives** seeks funds to implement two priorities of the Judicial Branch Strategic Plan: Establishment of statewide performance standards for the Judiciary and implementation of judicial problem-solving approaches (drug courts) for alcohol and other addicted offenders.

- **Security** seeks to implement recommendations of the National Guard Reserve to improve the security in the Minnesota Judicial Center.

- **Civil Legal Services** seeks funding for representation of more than 20,000 vulnerable Minnesotans whose incomes are below the federal poverty guidelines to (1) protect the safety of children and help families break the cycle of abuse; (2) assist in securing child support and federal aid for low income families; (3) assist farm families to remain on their homesteads; (4) help prevent homelessness; (5) repair substandard housing; and (6) assist adults to move from welfare to work by overcoming legal obstacles.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,070	$2,163	$2,163	$2,163
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,070	$2,163	$2,163	$2,163

Request
The Supreme Court requests $3.233 million in FY 2008-09 to maintain core justice operations.

Background
The Supreme Court operations fund approximately 221 employee FTE's and seven Supreme Court justices. The Supreme Court, State Court Administration and Law Library employees are paid within the Supreme Court appropriation. All employees within these units are compensated under the judicial branch compensation and pay plan administered by the State Court Administrator's Office (SCAO) under the direction of the Judicial Council.

The judicial branch non-judicial pay plan consists of the same four basic components as the executive branch: across the board adjustments to the salary range, merit or step increases, employer retirement contributions, and insurance programs negotiated by the Department of Employee Relations for all state employees.

Under the new governing structure of the judicial branch, the State Court Administrator serves as the chief executive officer of the unified state court system and implements policies of the judicial branch as well as other statewide procedures. With the transition to state funding completed 7-1-05, the SCAO has taken on significant responsibilities for supporting the work of court staff in the 87 counties around the state. Support functions in the areas of human resources, finance, education and organizational development, legal advice and auditing, previously performed by county government, are now conducted or directed centrally by staff within the SCAO. These additional responsibilities have been assumed at the same time the Supreme Court and SCAO have endured cuts to its budget during the FY 2004-05 biennium and inadequate funding for FY 2006-07.

Under the direction of the Judicial Council, the SCAO has helped to implement statewide measures to increase efficiency under the new state funding system such as consolidating court administrator positions so that over one third of all court administrators now serve more than one county; consolidating district administrator positions in the seventh and eighth judicial districts; sharing staff and other resources across both county and district lines; developing an on-line self help center in the Fourth Judicial District which is available across the state through the judicial branch website; contracting out collection efforts to obtain greater return on collection of court imposed fines and fees; and on schedule completion of the implementation of MNCIS – a new statewide case management system which will provide better information to court staff and criminal justice partners statewide.

During the FY 2008-09 biennium the judicial branch has estimated that additional salary funding will be necessary to implement a pay plan commensurate with other negotiated state and local agreements and to provide a salary increase for judges in FY 2008 and FY 2009. Additional funding is also required to fully fund recently mandated increases in employer paid retirement plan contributions. Especially problematic is the expected double digit cost increase for health insurance costs.

Relationship to Base Budget
This request represents a 5.4% increase to the Supreme Court biennial base budget exclusive of funding for Civil Legal Services.

Key Measures
Failure to fund negotiated pay plans and mandated employee health insurance costs will result in layoffs. These will significantly impact the ability of the courts to accomplish their constitutional role of adjudicating disputes.

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Alternatives Considered

Because human resources costs are greater than 85% of the judicial branch budget, the effective alternatives available to fund salary increases are few. A reduction in the workforce is the most likely and least desirable.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$559	$714	$714	$714
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$559	$714	$714	$714

Request

The Supreme Court requests $1.273 million in FY 2008-09 for strategic initiatives.

Background

Minnesota's courts have a national reputation for professionalism, efficiency and innovation. This reputation has been earned by taking seriously the need to periodically assess judicial branch performance and identify new and innovative ways to more effectively handle cases and deliver quality services as cost effectively as possible.

In July 2005, the Minnesota Judicial Branch completed its transition from a county-funded confederation of trial courts to a unified, co-equal branch of state government operating under a single umbrella of state funding. In support of this change, the Minnesota Judicial Branch instituted a new governance structure with the creation of a Judicial Council. As one of its first tasks, the Judicial Council developed a new strategic plan for the judicial branch that sets forth a clear direction over the next three years for the operation of the unified court system.

The new strategic plan sets forth three long-term goals for the court system: 1) Access to Justice; 2) Administering Justice for Effective Results; and 3) Public Trust, Accountability and Impartiality. These goals are the fundamental building blocks for the operation of the courts and anchor all other parts of the strategic plan. To further each of these goals, the strategic plan outlines 10 priorities for the 2007-2009 time period. Funding is requested in the Supreme Court for two of these 10 priorities: adopt statewide performance standards for the judiciary, and integrate a judicial problem-solving approach for cases involving alcohol and other drug addicted offenders.

Adopt Statewide Performance Goals for the Judiciary

Establishing court performance goals and monitoring progress toward meeting those goals is necessary to ensure accountability of the judicial branch, improve overall operations of the court, and enhance the public's trust and confidence in the judiciary. The Judicial Council has identified six broad court performance goals: access to justice, timeliness, integrity and accountability, excellence, fairness and equity, and quality court workplace environment.

Valid assessments of court performance against these critical goals and the integrity of the court's electronic record depend upon the accuracy, timeliness and completeness of the data collected on the processing and disposition of over 2 million cases filed each year and the approximately $170 million in monies collected.

The reality, however, is that significant and systemic data quality problems exist which are caused by disparate business practices, data definition variances, and errors made by several thousand court staff working in 100 locations across the state when entering data into multiple computer systems that flow into multiple data bases. The importance of this problem—endemic to any highly complex automated information system—has been magnified with the implementation of MNCIS--a system in which the electronic record has become the official court record and which sends data in real time to criminal justice partners throughout the state. Accurate, complete and consistent data is crucial as that data has the very real potential to affect the liberty and property of individuals and the public safety of our communities.

This proposal creates a state level data quality assurance unit housed in the state court administrator's office charged with responsibility of identifying data quality problems and anomalies in multiple judicial branch computer systems; creating data management tools, developing and monitoring data quality best practices; recommending

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policies and business practice changes to promote data consistency, accuracy and completeness and working with and providing training for trial court staff as well as with criminal justice partners regarding data quality within and among the many automated criminal justice information systems and integrations. $458,000 is requested for the biennium.

Judicial Problem-Solving Approach for Alcohol and Other Drug Addicted Offenders
Persons who suffer from alcohol and other drug (AOD) addiction present a pervasive and growing challenge for the Minnesota Judicial Branch, and, in particular, its criminal courts. AOD use is a factor in 80-90% of Minnesota's criminal cases, but the impact of AOD offenders is not confined to any one case type; it is a pervasive problem in juvenile delinquency, child protection, and family and mental health cases as well. Methamphetamine production and use has grown at an alarming rate, adding urgency to the need to address the problem.

The financial costs to the state in adjudication, incarceration and treatment are substantial and rising. Felony drug cases rose from 5,035 in 1999 to 9,863 in 2005. In 7/1/89 6% (173) of Minnesota's prison inmates were drug offenders. By 7/1/05 drug offenders accounted for 25% of adult inmate population. Methamphetamine offenders grew from 230 on 7/1/01, to 1,127 on 7/1/05 (390%). Methamphetamine offenders accounted for 87% (897) of the 1,027-inmate increase in the drug offender population from FY 2001-05.

In recent years, more effective judicial strategies for dealing with AOD-dependent persons, and particularly criminal offenders, have evolved both in Minnesota and other states. Known as "problem-solving approaches", these strategies use the coercive power of the court in collaboration with prosecution, defense, probation and treatment providers to closely monitor the defendant's progress toward sobriety and recovery through ongoing treatment, frequent drug testing, regular court check-in appearances, and use of a range of immediate sanctions and incentives to foster behavioral change. Positive cost-benefit ratios typically result for drug court participants who complete programs that adhere to established best practices.

Evaluations conducted in other states with problem-solving courts show that recidivism is reduced as are incarceration costs. New York saw an average 29% decrease in recidivism three years after arrest for offenders. Likewise, New York estimates that $254 million in incarceration costs were saved by diverting 18,000 non-violent drug offenders to problem solving courts. Washington found that the average drug court participant produces approximately $6,800 in benefits - $3,800 in avoided criminal justice costs paid directly by taxpayers and $3,000 in estimated avoided costs to victims. California found that an investment of $14 million created a total cost avoidance of $43.3 million over a two-year period – 425,014 jail days ($26 million) and 27,894 prison days ($13 million) were avoided.

The national drug court movement began in 1989. The number of drug courts in the U.S. has been growing at an increasing rate. However, Minnesota is behind other states in developing drug courts and other problem-solving courts. By the end of calendar year 2006, Minnesota is expected to have 21 drug and DWI courts. This request seeks funding for 2.0 FTE State Court Administration staff to provide training and technical assistance for local and multi-district drug court development and evaluation, and to determine operational best practices. The biennial request is for $815,000.

More information on the Judicial Council's strategic plan and report on judicial problem-solving approaches for AOD offenders can be found at http://www.courts.state.mn.us.

Relationship to Base Budget
This request represents a 2.1% increase to the biennial base budget for the Supreme Court.

Key Measures
Each of the 10 priorities contained in the strategic plan, including the two priorities that seek state funding for the Supreme Court, will take place over the life of the plan and will have specific performance measures to evaluate their success. The plan is designed to expand the capacity of the judicial branch to perform the ongoing work of the courts by developing tools and strategies to increase efficiency and effectiveness.

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Adoption of statewide performance measures is a new initiative for the Minnesota Judicial Branch. The goal will be to determine key results and measurement tools associated with the six performance goals, ensure accuracy and completeness of underlying data, and develop and implement a plan to measure and report court performance.

The main objective for cases involving AOD-addicted offenders is reduced recidivism.

Alternatives Considered

Funding is requested in the Supreme Court for two of 10 recently-adopted strategic plan initiatives. The remaining initiatives will be considered for internal reallocations within existing base funding. Failure to fund the two selected initiatives may result in delay or abandonment of these initiatives.

Any delays in addressing AOD offenders will result in additional public costs. Felony drug cases and meth cases are increasing significantly. Failure to address the addiction underlying many drug offenses creates a cycle of recidivism and an on-going drain on public resources. It costs approximately $28,000 per year to incarcerate an addicted offender, compared to approximately $7,000 to provide treatment services to the same individual.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$295	$222	$222	$222
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$295	$222	$222	$222

Request
The Supreme Court requests $517,000 in FY 2008-09 for Minnesota Judicial Center security.

Background
Everyday across the country, citizens bring their most complex problems and disputes – the ones they cannot resolve themselves – to a courthouse. When litigants bring these cases to court they do so as a last resort with the understanding that a judge will ultimately decide the fate of things extremely important to them -- for example the placement of their children, their financial future, and the success of their businesses, etc.

Unfortunately, court decisions produce winners and losers. Often the loser or those frustrated throughout the court process can act out in dangerous ways. Nationwide, including Minnesota, the number of threats and attacks in courthouses has increased. This is not just a security concern for judges. In 2003 in Hennepin County a disgruntled litigant brought a weapon into the courthouse and shot not only the individual involved in his probate case but also her attorney. The shooting resulted in one death and another serious injury. Staff, judges and members of the public are all vulnerable when these incidents occur.

Security is severely lacking in the Minnesota Judicial Center (MJC). This building houses judges and staff of the state's highest court, the Minnesota Supreme Court, along with the Minnesota Court of Appeals and the Minnesota Tax Court. State Court Administrator's Office and the State Law Library staff are also housed in the MJC. The building receives thousands of visitors each year conducting business with the state appellate courts, visiting the state law library or filing cases with the appellate clerk's office.

Relationship to Base Budget
This request represents a 0.9% increase to the Supreme Court's biennial base budget.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,000	$2,000	$2,000	$2,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,000	$2,000	$2,000	$2,000

Request

The Supreme Court requests $4 million in FY 2008-09 on behalf of civil legal services programs.

Background

To address the well documented and serious unmet need for civil legal services described in the base budget narrative, a bipartisan, statewide Supreme Court Committee on Funding for Legal Services and the Minnesota State Bar Association have recommended that the legislature and lawyers make a joint commitment to substantially increase funding for civil legal services. The Supreme Court's Planning Commission and LSC have both found that across the U.S., including Minnesota, "A very large percentage, perhaps more than three-quarters, of the legal needs of the disadvantaged remain unaddressed." One of the first tasks of government is to provide access to justice and to ensure equal justice under law. In the face of the large unmet need for civil legal services and the continued decline in leveraged federal and local funds for legal services, an increase in funding for civil legal services of $4 million during this biennium is requested.

More than 20,000 of Minnesota's most vulnerable and least powerful citizens – the poor, elderly, disabled, and children – who have critical legal needs and are eligible for legal aid are denied access to Minnesota's justice system each year due to lack of legal aid resources. If legal aid services are not provided, the state could lose as much as $10 million each year in child support orders, new federal disability benefits and other savings. Also, more persons will attempt to represent themselves, further clogging the court system and causing the inefficient use of judicial resources. Without the recommended increase, over 5,000 additional families facing crisis situations will go without needed legal assistance.

State support for civil legal services started in 1982 with direct funding through dedicated fees on civil court filings. Later funding increases were tied to increases in real estate document filing fees. While the funding mechanism has changed to a General Fund appropriation, the fee increases have remained in effect. As a result civil legal aid funding is almost, perhaps entirely, supported by revenues created for this purpose.

Starting civil legal aid salaries in 2005 average just $38,500, much less than starting public defender salaries. This disparity grows worse with seniority, so that, according to former MSBA President, Kent Gernander, "Legal aid lawyers are typically paid as little as 60% of the salaries paid to other public sector lawyers." Like other parts of the justice system, civil legal aid providers have had to absorb increased costs in health insurance and in other operations.

Legal aid lawyers do not accumulate pensions. Furthermore, new attorney student loan debt loads reach or exceed $100,000. While volunteer attorneys provide millions of free services each year, the Supreme Court Committee also recognized the need to strengthen volunteer programs by providing additional funds for recruitment, training and administration.

With this additional funding, civil legal aid lawyers will provide legal advice, negotiation, conciliation, and representation to persons unable to afford private counsel in court and administrative law hearings, and will engage in preventive law and community education activities. This work focuses on the critical civil legal problems confronting low-income Minnesotans. Specifically, legal aid will address family instability, abuse, deprivation, and school instability, which are risk factors in producing violent crime. This work will thus help to save the state prison and correction costs. As noted by the Minnesota Supreme Court Committee, these legal services **"stabilize families, maintain communities and make society safer; save taxpayer money; help to**

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prevent legal problems which would further clog the court system; and help people to become self-sufficient and participate effectively in society."

The broader community will also be impacted in a beneficial way with these additional resources. Legal aid will use the legal process to: 1) protect the safety of children and help families break the cycle of abuse, which domestic violence generates; 2) assist low income farm families to remain on their homestead, or make the adjustment away from farming; 3) help prevent homelessness and the social and government costs which attend homelessness (for example, Legal Aid's homelessness prevention work saves the state almost $4 million in tax-supported shelter costs annually); 4) repair substandard housing; and 5) assist adults to move from welfare to work by overcoming legal obstacles.

Relationship to Base Budget

Because of national census adjustments, and federal funding costs, Minnesotan's civil legal aid and programs have dropped over 17% in federal Legal Services Corporation funding (over $700,000 annually) since 2002.

Legal aid, like state agencies, has been faced with skyrocketing health care costs. Legal aid as an essential component of the justice system provides its own interpreters, translators, and equipment to ensure that non-English language learners and disabled persons have equal access to legal aid services. Because of the dramatic increase in Minnesota's immigrant and refuge population, legal aid's interpreter costs have risen significantly since 2003. This request represents approximately a 16% increase over the biennium base budget.

Key Measures

At an average cost of $710 per case, 5, 600 additional Minnesota families would receive assistance with critical legal needs from the use of a $4 million appropriation for direct services. The quantifiable measures will include:

- 2,700 single parent families and their children will be protected from domestic abuse
- 500 families will be prevented from becoming homeless
- 600 disabled persons, including veterans, will obtain stable income and access to medical care
- 900 potential workers will overcome barriers and move from welfare to productive employment
- 900 vulnerable seniors, children, and farm families will be protected

Alternatives Considered

The Legal Services programs aggressively seek funding from corporations and foundations, as well as private individuals. State funding for Legal aid in 3006 will be leveraged by approximately $15 million in local, private, foundation, United Way, law firm and corporate funding.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	603	600	600	600	1,200
Total Non-Dedicated Receipts	**603**	**600**	**600**	**600**	**1,200**
Dedicated Receipts:					
Departmental Earnings:					
General	243	130	0	0	0
Misc Special Revenue	1,320	1,114	1,111	1,111	2,222
Grants:					
Misc Special Revenue	0	80	0	0	0
Federal	374	300	310	310	620
Other Revenues:					
Federal	3,172	4,190	4,190	4,190	8,380
Gift	61	50	50	49	99
Other Sources:					
Misc Special Revenue	0	4	4	4	8
Miscellaneous Agency	1	1	1	1	2
Total Dedicated Receipts	**5,171**	**5,869**	**5,666**	**5,665**	**11,331**
Agency Total Revenue	**5,774**	**6,469**	**6,266**	**6,265**	**12,531**

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➲ Designates that this item is a change item

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Agency Purpose

Minnesota Tax Court is a specialized trial court in the executive branch, with statewide jurisdiction. It was established by the Minnesota Legislature to hear and determine all matters arising out of Minnesota's tax laws (M.S. Ch 271).

The court's mission is to provide timely and equitable disposition of appeals from orders issued by the commissioner of the Department of Revenue, and petitions from local property tax valuation, classification, equalization, and/or exemption issues. The judges have expertise in tax laws. Although the Tax Court is located in the Minnesota Judicial Center, the judges travel throughout Minnesota to conduct trials where taxpayers are located.

At A Glance

Six full-time staff:
- three judges;
- three administrative staff.

Annual budget of approximately $720,000

Most appeals are scheduled for trial and many are resolved within a year of filing.

Affecting court operations are:
- changes in state property, sales and use, income, and other tax laws;
- local real estate market changes;
- national and state economic changes; and
- changes in data practice laws.

A written decision is issued, distributed, and published on all regular division cases.

Core Functions

The Tax Court dockets, schedules, and resolves all tax cases filed.

The court provides the following services during the process of resolving and adjudicating tax disputes:
- Accepts filings and notifies parties;
- Schedules and conducts hearings (including trials, motions, continuances, and other pre-trial and post-trial hearings);
- Tracks status of case movement; providing information as needed;
- Provides information on decisions and other general information about the court, including information for taxpayers to represent themselves (pro se) in court; and
- Maintains correct and current records, as statutorily required.

The Tax Court also:
- develops a consistent and uniform body of tax case law;
- acts as a model for other states and other tax courts through presentations, speeches, and conferences; and
- coordinates with and educates district courts on managing tax petitions.

The court resolves complex procedural and substantive issues. One case may involve multi-year filings for multi-county property owners, which may encompass substantive issues regarding classification, class action status, and jurisdictional matters.

The court also resolves statutory, legal, and factual issues regarding Commissioner of Revenue cases (including business/non-business, unitary business, capital equipment, and non-domiciliary resident issues).

Operations

The Tax Court continues to take proactive steps to improve the appeals and litigation process by educating and informing taxpayers and surveying court constituents. The court now provides two resources for pro se (self-represented) litigants: *"Presenting Property Tax Appeals to the Minnesota Tax Court*" and *"Presenting Commissioner of Revenue Appeals to the Minnesota Tax Court."* These handbooks were designed to help taxpayers understand the process of property tax appeals and Commissioner of Revenue appeals, along with their rights and responsibilities. Both of these resources are available on the Tax Court web site, as well as at the Tax Court and District Court offices. Courts from other states have used these handbooks as a model.

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Key Measures

⇒ Minnesota Tax Court issues decisions in all cases within three months of final submission to the court.

⇒ Minnesota Tax Court is one of the few state Tax Courts that provides information and searchable text decisions on its web site.

⇒ Minnesota Tax Court is a leader in producing and distributing procedural handbooks for self-represented (pro se) litigants.

Budget

All funding for Tax Court operations comes from a General Fund appropriation. In the FY 2006 - 07 biennium, the appropriation was approximately $1.4 million. The Tax Court staff includes six full-time equivalent employees. Its budget is approximately 85% compensation, 14% rent, and 1% other expenditures.

Minnesota Tax Court generates approximately $40,000 each biennium in non-dedicated revenue from filing fees on appeals to an order from the commissioner of Revenue. Depending on caseload fluctuations, an additional $980,000 to $1.9 million in non-dedicated revenue is generated each biennium by property tax filings. Current fees are $240 for a regular division matter and $150 for a small claims matter. These fees are collected in District Court, which is where property tax petitions are filed.

Contact

Contact Tax Court by mail:
Minnesota Tax Court
245 Minnesota Judicial Center
25 Reverend Dr. Martin Luther King, Jr. Boulevard
Saint Paul, Minnesota 55155

Visit the Tax Court web site:
http://www.taxcourt.state.mn.us
Call the Court: (651) 296-2806
Monday – Friday, 8:00 a.m. to 4:30 p.m.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	726	726	726	726	1,452
Recommended	**726**	**773**	**788**	**812**	**1,600**
Change		47	62	86	148
% Biennial Change from 2006-07					6.7%
Expenditures by Fund					
Direct Appropriations					
General	738	774	788	812	1,600
Total	**738**	**774**	**788**	**812**	**1,600**
Expenditures by Category					
Total Compensation	581	600	648	672	1,320
Other Operating Expenses	157	174	140	140	280
Total	**738**	**774**	**788**	**812**	**1,600**
Expenditures by Program					
Tax Court	738	774	788	812	1,600
Total	**738**	**774**	**788**	**812**	**1,600**
Full-Time Equivalents (FTE)	**5.6**	**5.6**	**6.0**	**6.0**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**726**	**726**	**726**	**1,452**
Subtotal - Forecast Base	**726**	**726**	**726**	**1,452**
Change Items				
Tax Court Ops. & FY 2007 Deficiency	47	50	61	111
Compensation Adjustment	0	12	25	37
Total Governor's Recommendations	**773**	**788**	**812**	**1,600**

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Change Item: Maintain Tax Court Operations and FY 2007 Deficiency

Fiscal Impact ($000s)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
General Fund					
Expenditures	$47	$50	$61	$61	$61
Revenues	0	0	0	0	0
Other Fund					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact	$47	$50	$61	$61	$61

Recommendation
The Governor recommends a deficiency appropriation for the Minnesota Tax Court of $47,000 for FY 2007, as well as $50,000 in FY 2008 and $61,000 in FY 2009 to allow the Tax Court to maintain its current level of services. This will enable the Tax Court to fully fund its three judges, three support staff, rent, and other operating costs into the future.

Background
The Minnesota Tax Court is a three judge administrative court that hears and adjudicates tax cases of all types. By law, it is required to hold its hearings in locations around the state. The salaries of the Tax Court judges are also set in statute (tied to district court judges salaries). Beside the three judges, the Tax Court has three paid support staff.

No other courts in the state operate with a ratio of three judges to three support staff. Like other state agencies, the Tax Court has experienced increased salary and operating costs, including growth in technology costs. In FY 2006, it was necessary to provide the Tax Court a $10,000 contingency payment and delay some expenditures to make its budget. In FY 2007, rent and salary cost alone required 99.6% of its FY 2007 appropriation. It is anticipated that without deficiency funding, the Tax Court will be $47,000 short by the end of this biennium. Without a deficiency appropriation, reducing support staff or reducing judge-hours is the court's only viable money-saving option to balance its budget. Both of these options would hurt the court's ability to resolve tax disputes in a timely manner.

Looking into the future, the Tax Court's yearly base appropriation of $726,000 will not be enough to fund the court's current operating level in the next biennium. Projected rent and salary costs alone exceed their appropriation level for FY 2008-09 by 4.5%.

Relationship to Base Budget
This request would increase the Tax Court's base budget by 7.6% in FY 2008-09.

Key Measures
Maintaining the average amount of time it takes for the Tax Court to issue a decision after a case is submitted.

Statutory Change: Not Applicable

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Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$12	$25	$25	$25
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$12	$25	$25	$25

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Other Sources:					
General	17	17	17	17	34
Total Non-Dedicated Receipts	**17**	**17**	**17**	**17**	**34**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**17**	**17**	**17**	**17**	**34**

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➲ Designates that this item is a change item

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January 22, 2007

The 2007 Minnesota Legislature:

I am pleased to announce Governor Pawlenty's tax initiatives targeted at reducing homeowner property taxes, assisting our Minnesota families who have served or are serving in the armed forces, helping offset higher education costs, encouraging capital investment and job creation, mitigating taxpayer complexity and enhancing taxpayer compliance.

Property taxes have been increasing at an unacceptable rate. The Governor's tax proposal will deliver more than $330 million in property tax relief over the next four years. The Governor is recommending a multi-pronged approach to reining in homeowner property taxes. The Governor's proposal includes the following key components:

- Enhancing the Property Tax Refund program: An increase in the maximum property tax refund available to homeowners with high property tax burdens relative to their income.
- Increasing the Market Value Homestead Credit: Providing broad based relief to 1.4 million homes by increasing the amount of the market value homestead credit.
- Increase in LGA and payments to counties: An increase in aid to local governments to mitigate some of the burden on the property taxpayer.
- Levy Limits: Enacting reasonable levy limits that allow for local spending decisions but protect the property taxpayers from large tax increases.
- Increase in State Funding of the Education Operating Capital Levy: This reduces the burden on property taxpayers for school funding and provides a fairly uniform statewide reduction for all. The details of this proposal are in the Department of Education's budget presentation.

The Governor is recommending a 100% exemption from state income tax for military pay and pensions. This will help attract and keep veterans in Minnesota, will reward them for their years of service, and will help current and future soldiers. This income tax exemption will be phased-in over four years.

In order to foster capital investment and the corresponding job growth, the Governor is proposing a number of strategic tax initiatives that will help Minnesota businesses compete in a global economy. These tax initiatives include accelerating the current phase-in of single sales apportionment in order to encourage Minnesota's global competitors to invest in Minnesota, providing income tax credits to farmers that invest in dairy operations, extending JOBZ benefits for rural businesses, adopting a new venture capital tax credit for emerging businesses and allowing for an up-front sales tax exemption on purchases of manufacturing capital by the forest products industry and small businesses.

The Governor is recommending that Minnesota conform to the federal income and corporate tax changes adopted by Congress in 2006. The most noteworthy provisions of the federal conformity proposal are a higher education tuition deduction and an educator expense deduction. These two deductions will provide $40 million of tax relief to more than 170,000 middle-income taxpayers. In addition, federal conformity will make Minnesota's tax system less complex for taxpayers.

The Governor is committed to enhancing tax compliance. In furtherance of this objective, the Governor is recommending an aggressive tax compliance initiative that will allow the Department to hire more tax auditors in order to collect more delinquent tax revenues. The details of the Governor's compliance initiative are addressed in the Department of Revenue's budget presentation rather than the Governor's tax bill presentation.

I look forward to working with you to help get these initiatives passed for the benefit of our citizens and employers.

Respectfully,

Ward Einess

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Tax Policy, Aids and Credits Budget Presentation

Summary

The Governor's tax initiatives for the 2008-09 biennium include several changes to tax policy and local aids and credits expenditures. These initiatives focus on the following strategic outcomes:

- permanent property tax relief for homeowners;
- targeted income tax relief for individuals;
- strategic tax relief to improve the competitiveness of Minnesota businesses; and
- tax changes that help direct more money to transportation financing.

The table on the next page and the succeeding narratives describe the Governor's recommended tax changes and their fiscal impact. Some of the tax-related items affect other policy areas and more information on them can be found in other parts of the state budget presentation. In those cases, the sponsoring agency is identified.

Below, is a table that helps to summarize the Governor's tax initiatives by separating out the total dollars by tax and expenditure type. The positive numbers represent expenditures or revenue losses.

Table: Governor's 2008-09 Tax Policy, Aids and Credits Budget Summary Separated by Tax Type

Expenditure/Revenue Type (dollars in 000s)	Gov's Rec. 2008	Gov's Rec. 2009	Gov's Rec. 2010	Gov's Rec. 2011
Tax Aids and Credits	-	$65,500	$64,800	$63,800
Individual Income Tax	$58,375	$19,325	$26,130	$45,090
Corporate Franchise Tax	$15,650	$17,725	$24,970	$30,315
Sales and Use Tax	$50,340	$50,655	$50,475	$55,110

The Governor is also recommending to increase the General Fund Budget Reserve from $653 to $700 million in FY 2008. At this level, the reserve would equal approximately 4 percent of proposed General Fund spending in FY 2009.

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Governor's Recommended Tax Initiatives for the 2008-09 Biennium

Governor's Recommendations*	Fund	2008 Gov Rec	2009 Gov Rec	2008-09 Gov Rec
Property Tax Relief				
Enhanced Homestead Market Value Credit	General	-	47,000	47,000
Operating Capital (Education)	*General*	-	*40,076*	*40,076*
Local Government Aid Increase	General	-	10,000	10,000
Enhancing the PTR Program	General	-	8,500	8,500
Short Term Offender Reimbursement (Corrections)	*General*	*2,190*	*2,190*	*4,380*
Targeted Case Management (Human Services)	*General*	*40,000*	*-*	*40,000*
Subtotal		**42,190**	**107,766**	**149,956**
Tax Relief for Individuals				
Military Income Tax Subtraction	General	5,300	11,200	16,500
Federal Conformity (Includes Tuition Deduction)	General	48,275	3,325	51,600
Expand Section 125 Plans	*HCAF*	*-*	*2,300*	*2,300*
Subtotal		**53,575**	**16,825**	**70,400**
Tax Relief for Businesses				
Accelerate Single Sales	General	4,200	15,900	20,100
Capital Equipment Upfront Exemption	General	7,100	3,950	11,050
Dairy Investment Tax Credit	General	4,800	4,800	9,600
JOBZ Extension	General	100	300	400
Sales Tax Exemption for MN Company	General	3,815	2,295	6,110
Tax Credit for Investors in Emerging Businesses	General	6,000	-	6,000
Federal Conformity	General	5,350	1,525	6,875
Subtotal		**31,365**	**28,770**	**60,135**
Tax Changes to Help Transportation Funding				
Lease Sales Tax to Transportation (Mn/DOT)	General	30,600	36,400	67,000
Sales Tax Exemption for Trunk Hwy. Fund (Mn/DOT)	General	4,125	4,660	8,785
Commuter Rails Sales Tax Exemption (Mn/DOT))	General	4,600	3,100	7,700
Subtotal		***39,325***	***44,160***	***83,485***
Miscellaneous Changes For Administrative Ease				
Adjustment for Pollution Control Facilities	General	50	(20)	30
Bundling Transactions	General	100	250	350
Subtotal		***150***	***230***	***380***
Changes to the Budget Reserve				
Increase the Budget Reserve to $700 Million	General	**47,000**		

* Recommended items in italics are primarily being carried in other budget areas and are presented here to give an overall view of all the tax-related budget initiatives.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	$47,000	$44,700	$42,400
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	$47,000	$44,700	$42,400

Recommendation
The Governor recommends changing the market value credit program so that more homes are included, and most homeowners get an increased credit. This would provide a statewide reduction in property taxes for 1.45 million homeowners.

Background
Residential homesteads benefit from a state-funded market value homestead credit. Currently, 1.45 million homeowners receive a market value credit. The credit amount is equal to 0.4% of market value up to a maximum credit of $304, which occurs on a home valued at $76,000. The credit begins to decrease on homes valued at more than $76,000. Homes valued above $414,000 receive no credit. The credit is shown on the property tax statement as a subtraction after the gross property tax has been computed.

Local governments, whose revenues would be affected by the state credit, are “made whole” by a direct aid payment from the state. The cost of the credit reimbursement was $272.5 million in 2006 (FY2007) paid by out general fund.

The Governor’s proposal would increase the market value credit on homes valued between $76,000 and $414,000 by an additional $38 in credit. The maximum credit would remain at $304. Homes valued between $414,000 and $455,778 would receive the market value credit for the first time. Homes valued above $455,778 would not receive a credit.

Relationship to Base Budget
This proposal would increase projected homestead market value credit expenditures by 17% in FY 2009.

Statutory Change: Minn. Stat. 273.1384

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$40,076	$45,578	$46,021
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$0	$40,076	$45,578	$46,021

Information Only

This recommendation is discussed in the Education budget presentation.

Recommendation

The Governor recommends increasing the equalizing factor for the operating capital levy from $10,700 to $17,590 beginning in FY 2009. This change will reduce the average tax rate for operating capital and provide property tax relief statewide.

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Change Item: Local Government Aid Increase

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$10,000	$10,000	$10,000	$10,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$10,000	$10,000	$10,000	$10,000

Recommendation

The Governor recommends increasing local government aid (LGA) by $10 million, which is approximately a two percent increase. In cities with a population of more than 100,000, the increase would be dedicated to public safety purposes in order to help address public safety concerns raised in larger metropolitan cities. Increasing state funding for LGA reduces the pressure on local governments to raise property taxes when they choose to increase local spending. With less reliance on property tax increases for funding, the burden on property taxpayers would also be reduced.

The Governor also recommends adjusting the distribution of LGA to mitigate aid volatility from year-to-year that has been a concern of some cities.

Background

Minnesota has a history of supplementing local government revenues with state general fund aid payments. For 2006, $485 million in aid was dispersed to 747 cities; 106 cities did not receive any LGA. LGA is distributed based on a needs-based formula incorporating many statistical factors beyond the control of the individual cities.

Advocates of state aid payments have advanced several reasons for this financial relationship including:

⇒ State aid payments help communities with limited property wealth to provide basic local services without undue property tax burden.
⇒ State aid payments help offset the cost of state mandates.
⇒ State aid payments help limit the overall property tax burden.

Critics of state aid payment have also advanced several concerns about this financial relationship including:

⇒ State aid distribution formulas are often based more on historical spending patterns then need.
⇒ State aid programs do not have specific objectives or accountability measures.
⇒ State aid drives increased spending by local governments; it does not reduce property taxes.

Because the LGA formula is cased on several statistical factors, and those factors do change from year to year, LGA payments to individual local units of government can vary significantly from year-to-year. This variability makes it harder for cities to plan their budgets. To help alleviate this LGA volatility, the Governor recommends that 50% of local government aid for a current year be based on the previous year's formula. Eliminating this volatility is expected to have no state fiscal impact.

Relationship to Base Budget

This proposal would increase local government aid spending by approximately 2%.

Statutory Change: Minn. Stat. § 477A.03

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$8,500	$10,100	$11,400
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$8,500	$10,100	$11,400

Recommendation

The Governor recommends increasing the maximum property tax refund available to eligible homeowners. This would provide additional property tax relief directly to homeowners who are experiencing high property tax burdens as compared to their incomes.

Background

The homeowner's property tax refund program (sometimes called the "circuit breaker" or the PTR) is a state-paid refund that provides tax relief to homeowners whose property taxes are high relative to their incomes. If property tax obligations exceed a threshold percentage of income, a capped refund is provided equal to a percentage of the tax over the threshold. As income increases:

⇒ the threshold percentage increases;
⇒ the share of tax over the threshold that the taxpayer must pay increases; and
⇒ the maximum refund decreases.

Currently, there are about 300,000 homeowners who benefit from the property tax refund program. Approximately 40 percent of those homeowners are seniors or disabled. The current program is available to homeowners with incomes less than $91,120 in 2006. To receive a refund, eligible homeowners file a property tax refund form with the Department of Revenue each year and receive their refund around the end of September (usually in time to help pay the second-half of their annual property tax payment). Under current law, the state will refund about $210.7 million[1] in property taxes to homeowners in FY2007 through the property tax refund program.

The Governor's proposal would increase the maximum refund by 25 percent for taxpayers with incomes of approximately $0 to $10,000; 20 percent for incomes $10,000 to $20,000; 15 percent for incomes $20,000 to $40,000; and 10 percent for incomes more than $40,000. The maximum refund amounts would increase as follows:

Income	Current maximum refund	New maximum refund
$0 - $10,000	$1,640 - $1,750	$2,050 - $2,190
$10,000 - $20,000	$1,460 - $1,580	$1,750 - $1,900
$20,000 - $40,000	$1,290 - $1,400	$1,480 - $1,610
$40,000 and more	$350 - $1,170	$390 - $1,290

Relationship to Base Budget

This proposal would increase the estimated expenditures for the homeowner's property tax program by 3.7% in FY 2009.

Statutory Change: Minn. Stat. § 290A.04

[1] From November 2006 forecast.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditure	$42,190	$2,190	$2,190	$2,190
Revenues	0	0	0	0
Other Fund				
Expenditure				
Revenues	0	0	0	0
Net Fiscal Impact	$42,190	$2,190	$2,190	$2,190

Information Only

This recommendation is discussed in the Corrections (short-term offenders) and Human Services (Targeted Case Management) budget presentations.

Recommendation

The Governor recommends funding to assist counties in dealing with rising costs related to short-term offenders and targeted case management. Approximately $30 per offender per day is recommended to reimburse counties for housing short-term offenders. This roughly triples current reimbursement rates. A one-time appropriation of $40 million is also recommended to assist counties in addressing anticipated federal cuts to Targeted Case Management funding. Helping counties deal with these rising expenses will reduce the pressure on counties to raise property taxes.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	($5,300)	($11,200)	($17,600)	($24,700)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$5,300	$11,200	$17,600	$24,700

Recommendation

The Governor recommends exempting all military pay and military pensions and retirement payments from Minnesota income tax if they are not currently exempt under federal or state laws. This would be given to current members of the military, military retirees, and survivors of military retirees, and would be phased-in over four years. The pay exemption would reward current members of the military for their service and help recruit future soldiers. The pension and retirement exemptions would help attract and keep veterans in Minnesota.

Background

Military pay: Under current law, active-duty members of the military (generally Army, Navy, Air Force, Marines, Coast Guard, and active-duty National Guard and Reservists) are allowed a subtraction of their federal active-duty military pay for services performed outside Minnesota to the extent it is federally taxable. National Guard and Reservists are also allowed a subtraction for certain active-duty service performed in Minnesota, such as for natural disasters and airport security. The subtraction does not apply to compensation received for drill, training, summer camp, and some other active-duty services.

The Governor's proposal would allow a subtraction for military compensation that is not currently exempt under federal or state laws, and therefore would apply to compensation received for active-duty services such as drill, training, and summer camp.

Military pensions: Military pensions are currently taxed in Minnesota. This proposal would exempt military pensions and retirement payments from Minnesota income tax.

The Governor's proposed exemption would be in the form of a subtraction from Minnesota taxable income and alternative minimum taxable income.

Relationship to Base Budget

This proposal would result in a revenue loss to the General Fund.

Statutory Change: Minn. Stat. § 290.01, subd. 19(b)

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	($53,625)	($4,850)	($4,900)	($16,605)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact*	$53,625	$4,850	$4,900	$16,605

** Before the release of this budget, the Governor sent a letter to Senate and House Tax Committee leaders encouraging them to pass, on an expedited basis, legislation that conforms Minnesota to all of the new federal provisions that affect income taxes for the 2006 tax year. The table above does not assume early passage of these items.*

Recommendation

The Governor recommends that Minnesota law be amended to conform to federal tax laws passed in the Heroes Earned Retirement Opportunities Act, the Pension Protection Act of 2006, and the Tax Relief and Health Care Act of 2006. The conformity provisions include:

The Heroes Earned Retirement Opportunities Act

- Allows military personnel who have tax-exempt combat pay to use the exempt pay as earned income for the purpose of qualifying to make tax-favored individual retirement account contributions. Enacted May 29, 2006. Effective retroactively to 2004.

The Pension Protection Act of 2006

- Makes a large number of changes to federal provisions on employer-provided defined benefit or contribution plans, IRAs, and KEOGH plans. The most significant change is removing the 2010 sunset of a number of pension and IRA liberalizations that were enacted federally in 2001 (higher employee contribution limits, high IRA limits and more liberal catch-up contributions for those over 50). This Act also includes a number of provisions dealing with deductible charitable contributions. Enacted August 17, 2006.

Tax Relief and Health Care Act of 2006

- Extends a number of tax deductions that expire at the end of 2005 for an additional two years (including the higher education tuition deduction and the educator expense deduction), a number of new provisions dealing with health savings accounts, and a new itemized deduction for mortgage insurance premiums for 2007. Enacted December 20, 2006.

Background

In Minnesota, 2.4 million individuals file individual income tax returns each year. In our tax filing system, individuals are required to correctly calculate and pay the correct amount of Minnesota individual income tax. This system only works effectively if the computation of the income tax for the vast majority of taxpayers is easy enough that the taxpayer can simply compute the correct amount of Minnesota tax.

Under current Minnesota law, the starting point for computing the Minnesota income tax is "federal taxable income" as defined in the Internal Revenue Code of 1986 as amended through May 18, 2006. Technically this means any taxpayer who has an item of income or a deduction that is changed because of post May 18, 2006 federal changes in the code needs to completely recalculate their federal taxable income before they can start their Minnesota return. For taxpayers in this position, the recalculation of federal taxable income is a difficult task even with the help of a tax professional.

In general, it has been the position of past administrations and past legislatures to conform to the federal tax code as soon as possible and to the maximum extent possible. Keeping the Minnesota system aligned is often called “federal conformity.” Federal conformity is not automatic. The legislature is required to act to incorporate new federal changes into the Minnesota tax laws. The Governor's proposal adopts the current code and eliminates the need for taxpayers to recalculate their federal taxable income.

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Relationship to Base Budget

This proposal would result in a revenue loss to the General Fund.

Statutory Change: Minn. Stat. §§ 289A.02, subd. 7; 290.01, subd. 19; 290.01, subd. 19b; 290.01, subd. 31; 290.03, subd. 15; 291.005, subd. 1.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund (HCAF)				
Expenditures	0	2,300	6,300	8,100
Revenues	0	0	0	0
Net Fiscal Impact	$0	$2,300	$6,300	$8,100

Information Only

More detail on this proposal in the Human Service Budget Presentation

Recommendation

Part of the Governor's "Healthy Connections" recommendation includes expanding the number of businesses who offer pre-tax plans for health insurance premiums (Section 125 plans). As more businesses offer these programs, and more employees utilize them, there will be a small reduction in the state's individual income tax revenues. Under the Governor's recommendation, this general fund revenue loss is offset with a payment from the Health Care Access Fund (HCAF).

This action does not require any change in tax statutes.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	($4,200)	($15,900)	($23,100)	($28,100)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$4,200	$15,900	$23,100	$28,100

Recommendation

The Governor recommends accelerating the current transition to a single sales factor method of apportionment for the Minnesota corporate franchise tax from an eight-year period (complete in 2014) to a five-year period (complete in 2011). A faster transition to a single sales factor would allow Minnesota to be more competitive and attractive for businesses to locate and grow within the state.

Background

Many multi-state corporations generate income in more than one state. For these corporations, a formula must be used to determine what portion of the total income should be taxed by each individual state. This is called an apportionment formula. Minnesota's formula has been based on sales, property and payroll factors. The trend in many states is to move toward an apportionment formula based totally on percentage of sales within the state. The states that have done so believe this encourages businesses to expand within their state.

Legislation was passed in the 2006 session to phase in a single sales factor over eight years:

Taxable years beginning in calendar year	Sales factor (%)	Property factor (%)	Payroll factor (%)
2007	78	11	11
2008	81	9.5	9.5
2009	84	8	8
2010	87	6.5	6.5
2011	90	5	5
2012	93	3.5	3.5
2013	96	2	2
2014 and later	100	0	0

The Governor's recommendation would allow the single sales factor to be phased in by 2011:

Taxable years beginning in calendar year	Sales factor (%)	Property factor (%)	Payroll factor (%)
2007	78	11	11
2008	85	7.5	7.5
2009	90	5	5
2010	95	2.5	2.5
2011 and later	100	0	0

Relationship to Base Budget

When the sales only apportionment is fully phased in (2011), it is expected to reduce corporate franchise tax collections by approximately $30-40 million annually.

Statutory Change: Minn. Stat. § 290.191, subds. 2 and 3

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Change Item: Capital Equipment Upfront Exemption

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	($7,100)	($3,950)	($2,300)	(550)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$7,100	$3,950	$2,300	$550

Recommendation
The Governor recommends an upfront sales tax exemption for capital equipment purchased or leased by small businesses and the forest products industry.

Background
Under current law, Minnesota provides a sales and use tax exemption for capital equipment as defined in the sales tax statute. The exemption applies to machinery and equipment used for:

- manufacturing, fabricating, mining, or refining tangible personal property to sell at retail;
- transmitting results by a customer of an online computerized data-retrieval system to sell at retail; or
- generating electricity or steam to sell at retail.

However, the exemption is administered as a tax refund. Businesses pay the sales tax at the time of purchase and then file a refund claim with the Department of Revenue. For several years, business have expressed concerns that this process is inefficient and sometimes creates financial hardship for the affected business.

The forest products industry includes businesses such as pulp, paper, and paperboard manufacturers; and wood product manufacturers. The latter category includes sawmills; veneer, plywood, and engineered wood products; millwork; and prefabricated wood building manufacturing. The upfront exemption for the forest products industry was a recommendation from the Governor's Task Force on the Competitiveness of Minnesota's Forest Industry in order to help retain and increase the competitiveness of Minnesota's forest industry. This upfront sales tax exemption would ease the administrative burden for businesses in this industry and improve their cash flow.

This proposal would also apply to businesses that meet the statutory definition of "small business", which in the production industry generally includes businesses with annual gross revenues of less than $1 million and 20 or fewer employees. This upfront sales tax exemption would ease the administrative burden for small businesses that are upgrading their capital equipment and improve their cash flow.

Relationship to Base Budget
Since this proposal only shifts the timing of the capital equipment sales tax exemption for small businesses and the forest products industry, it will result in a one-time loss of revenue to the General Fund.

Statutory Change: Minn. Stat. § 297A.68, subd.
Minn. Stat. § 297A.75, subds. 1 and 3

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Change Item: Dairy Investment Tax Credit

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	($4,800)	($4,800)	($4,800)	($4,800)
Revenues				
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$4,800	$4,800	$4,800	$4,800

Recommendation
The Governor recommends providing a nonrefundable tax credit against the individual income and corporate franchise taxes to producers who invest in dairy operations. The credit would be equal to 10 percent of the first $500,000 of qualifying dairy investments made in 2007 through 2012. Credit that exceeds tax liability could be carried forward up to 15 years.

Background
Dairy farming in Minnesota faces serious economic challenges. In the current economic environment, dairy farmers are reluctant to make new capital investments in their farms and facilities. The Governor believes a tax credit will help stimulate capital investment in this sector, helping dairy farmers sustain or grow production.

Expenditures that qualify for the dairy investment tax credit include amounts spent for the acquisition, construction, or improvement of buildings or facilities; or the acquisition of equipment for dairy animal housing, confinement, feeding, milk production, and waste management.

Relationship to Base Budget
This tax credit would result in a revenue loss to the General Fund.

Key Measures
Because this creates a new credit, the Department of Revenue will be able to report on the number of people claiming the credit and the total cost of the credit. The Department of Agriculture will be responsible for monitoring the trends within the state dairy industry and determining if the credit is creating a positive impact for the industry.

Statutory Change: New sections of statutes.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	($100)	($300)	($700)	($1,200)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$100	$300	$700	$1,200

Recommendation
The Governor recommends making the Job Opportunity Building Zone Program (JOBZ) benefits available for a full ten years for any qualifying business that enters the program prior to the program's expiration date of December 31, 2015.

Background
Since the creation of the program in 2003, ten JOBZ zones have been established encompassing over 29,000 acres in more than 325 subzone communities across Greater Minnesota. The program offers several types of tax exemptions for qualified businesses who operate in the zones and sign a business subsidy agreement. Tax exemptions are good from the time a business signs a subsidy agreement until December 31, 2015, when the program expires. The program has been successful to date, with 262 businesses operating in the zones, creating a total of 4,012 jobs, paying an average hourly wage of $15.82 and making capital investments of over $394 million as of September 2006. The JOBZ program is the marquee rural economic development stimulus program of current years.

As the program continues into its fourth year, the number of years a new business entering into the program has to claim tax exemptions is diminishing. For this reason, the appeal of the program is not as great as it was in the beginning and will continue to deteriorate as time approaches the program's end date. Therefore, it is proposed to extend the duration of JOBZ benefits in an effort to keep this successful program assisting with the economic development of Greater Minnesota.

Relationship to Base Budget
Extending the JOBZ program benefits would result in a loss of tax revenue to the General Fund.

Key Measures
This proposal is estimated to maintain JOBZ participation at approximately 60-70 businesses per year, averaging 15 new jobs and $1.5 million in new investment per project.

Statutory Change: Minn. Stat. § 469.312

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Change Item: Sales Tax Exemption for a Large Corporate Expansion

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	($3,815)	($2,295)	($1,495)	($1,100)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$3,815	$2,295	$1,495	$1,100

Recommendation
The Governor recommends a sales and use tax exemption for the construction materials, tools, equipment, furniture, and fixtures necessary for the expansion of a major Minnesota employer.

Background
This Minnesota employer currently has over 6,000 employees on their campus in the metro area. They are planning an expansion of their facilities that will lead to the construction of a new office building and a data center. The cost for the construction materials, supplies, furniture and fixtures for the facilities is estimated to be $63,000,000, with a total project cost of approximately $100,000,000.

Besides Minnesota, they are looking at two other states for these new facilities. In order for Minnesota to remain competitive as the company weighs its location options, the lowering of the tax burden on the construction of the facilities is necessary. The proposed bill language would provide an exemption from paying sales and use taxes on the cost of construction materials and supplies, furniture and fixtures and all technical and personal property used to construct and equip the facilities.

Relationship to Base Budget
This proposal would result in a loss of sales tax revenue to the General Fund.

Key Measures
This expansion is estimated to lead to 2,000 new high-paying jobs over four years, as well at least a $100 million investment in new facilities.

Statutory Change: Minn. Stat. § 297A

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Change Item: Tax Credit for Investors in Emerging Businesses

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	(6,000)	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$6,000	$0	$0	$0

Recommendation

The Governor recommends a one-time income tax credit for investors who provide emerging and developing businesses with seed and equity capital investment capped at $6 million. Under this proposal, accredited investors would be eligible for a 25% non-refundable tax credit for investment in a regional angel investment network, which primarily invests in emerging and expanding small businesses. The maximum credit would be $600,000 per network.

Background

Since the burst of the Internet bubble in 2001, money for seed and start-up stage companies has shrunk dramatically — from 17% of institutional venture capital to 2-3%. Most venture capital firms make minimum investments of $5-7 million, though early-stage companies have needs between $500,000 and $2 million. In addition, venture capital investment has been concentrated in a handful of states. They include California (47% of venture capital investment), Massachusetts (11%), and Texas, New York, New Jersey, Washington, Colorado, and North Carolina (these six together comprise 22%). This leaves 42 other states, including Minnesota, with less than 20% of the venture capital investments. Recognizing this lack of early-stage capital, many states have supported the launch of various new venture capital programs with objectives including job creation, competitiveness, economic growth, and promotion of certain types of businesses.

Relationship to Base Budget

This new program calls for a one-time income tax credit capped at $6 million, thus reducing tax revenue by a maximum of $6 million.

Key Measures

The key measure is an increase in angel investment in Minnesota, as evidenced by:

- Increased dollar amount of angel investor network investment
- Increased number of deals
- Increased number of angel investment network groups
- Usage of the available angel investment tax credits

Statutory Change: Minn. Stat. § 290.06

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	($30,600)	($36,400)	($41,600)	($48,200)
Other Fund				
Expenditures	0	0	0	0
Revenues	$30,600	$36,400	$41,600	$48,200
Net Fiscal Impact	$0	$0	$0	$0

Information Only

This recommendation is discussed in the Transportation budget presentation.

Recommendation

The Governor recommends statutorily dedicating the revenues from the sales tax on motor vehicle leases to transportation purposes. The dedication of the lease sales tax will be on the same basis as the constitutional dedication of the motor vehicle sales tax. This proposal will result in a loss of revenue to the General Fund and an offsetting gain to the Highway funds.

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Change Item: Sales Tax Exemption for Trunk Hwy Fund

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	($4,125)	($4,660)	($4,820)	($4,990)
Other Fund				
Expenditures	($4,125)	($4,660)	($4,820)	($4,990)
Revenues				
Net Fiscal Impact	$0	$0	$0	$0

Information Only

The details of this recommendation are in the Transportation budget presentation.

Recommendation

The Governor recommends a strategic sales tax exemption for all purchases made by the Minnesota Department of Transportation from the Trunk Highway Fund. This proposal will result in a loss of sales tax revenue to the General Fund, but will reduce expenditures from the Trunk Highway Fund.

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Change Item: Commuter Rail Sales Tax Exemption

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	($4,600)	($3,100)	0	0
Other Fund				
Expenditures	($4,600)	($3,100)	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Information Only

This recommendation is discussed in the Transportation budget presentation.

Recommendation

The Governor recommends a sales tax exemption for commuter rail construction materials and equipment, including railroad cars, engines, and related equipment. This proposal will result in a loss of sales tax revenue to the General Fund, but will decrease expenditures made for commuter rail construction.

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Change Item: Adjustment for Pollution Control Facilities

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	(50)	20	20	10
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$50	($20)	($20)	($10)

Recommendation
The Governor recommends allowing pollution control facilities placed in service before 1987 to make a one-time write off of any remaining equipment being depreciated.

Background
Minnesota did not conform to federal law regarding special amortization deductions allowed for pollution control facilities placed in service before 1987. An add back to Minnesota income was required and a subtraction was allowed for regular depreciation. Most of that equipment would have been depreciated during the past 20 years, making the adjustment unnecessary. In order to transition to federal law, this proposal allows a one-time write-off for any remaining equipment still being depreciated.

Relationship to Base Budget
This proposal would decrease revenue to the General Fund in FY 2008 and increase it in FY 2009, FY 2010, and FY 2011.

Statutory Change: M.S. 290.09 Subd. 7.
M.S. 290.01 Subd. 19(c)(10) and Subd. 19(d)(8).

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	($100)	($250)	($260)	($270)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$100	$250	$260	$270

Recommendation
The Governor recommends conforming to the definition of "bundled transaction" as adopted by the Streamlined Sales Tax Program (SSTP) Governing Board in December 2006. Bundled transactions are transactions that include both taxable and nontaxable items.

Background
The Streamlined Sales Tax Program (SSTP) is a multi-state effort to simplify and modernize the administration of various state and local sales taxes in order to substantially reduce the burden of tax compliance. It includes developing uniform tax definitions of items that may be subject to sales tax. Minnesota is a full participating member of the SSTP and has fully complied with the Streamlined Sales and Use Tax Agreement. Under current law, sellers pay use tax on the purchase price of the taxable component when the entire transaction is not subject to sales tax.

Under this proposal, if a transaction meets the SSTP definition, the department recommends that the entire purchase be subject to sales tax. In addition, the department recommends language that would address bundled items that don't meet the SSTP definition of a bundled transaction. For these transactions, the seller would be required to pay use tax on the taxable component of the bundled transaction if the purchase price of the component is $100 or more.

Relationship to Base Budget
This proposal would result in a small loss of sales tax revenue to the General Fund.

Statutory Change: Minn. Stat. § 297A.61 and Minn. Stat. § 297A.63

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Change Item: Increase the Budget Reserve

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Budget Reserve	$47,000	$0	$0	$0
	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$47,000	$0	$0	$0

Recommendation

The Governor recommends increasing the General Fund Budget Reserve from $653 million to $700 million in FY 2008. At the recommended level the reserve will be equal to approximately 4.0 percent of proposed general fund spending in FY 2009. The Governor supports this level as the minimum necessary to manage forecast risks inherent in state revenues and spending for the upcoming biennium.

The Governor further recommends that the current statutory ceiling on the budget reserve be removed from statute, and that the legislature enact a goal for budget reserve funding equal to five percent of authorized general fund spending for the second year of a biennium. Based on $17.498 billion proposed spending for FY 2009, the goal for full funding of the budget reserve would be approximately $875 million.

The Governor proposes that the reserve goal be met over the next several years by allocating a portion of any forecast general fund balances to the reserve as a first priority. If a general fund forecast balance exceeds 125 million - then the commissioner of finance would transfer up to $50 million to the budget reserve. These automatic transfers would occur in successive positive forecasts until the reserve is funded at the 5.0 percent statutory goal.

Background

The state has two distinct general fund reserve accounts. The largest is the $653 million Budget Reserve Account, sometimes referred to as the “rainy day fund”. The Cash Flow Account of $350 million is designed to offset potential cash shortages caused by the mismatch of monthly revenue collections and expenditure payments. It may be thought of as a checking account’s minimum balance to avoid overdrafts. Both the budget reserve and the cash flow accounts were entirely depleted in 2002 as part of a solution to projected budget shortfalls. Both accounts were subsequently restored to current levels by a combination of legislative action and statutory allocation of forecast balances.

At the current level of $653 million, the budget reserve represents approximately 3.7 percent of proposed second-year expenditures for the biennium. Nationally, five percent of *yearly* spending is generally regarded as a prudent level of rainy day funds for state budgets. The Council of Economic Advisors has consistently recommended that policy makers consider establishing a reserve as high as five percent of *biennial* revenues as a conservative cushion against economic downturns and unanticipated budget shortfalls.

The Governor’s recommendation reflects the original intent when the budget reserve was first created in 1981. At that time, the annual budget was $3.6 billion and a statutory goal of two and one-half percent of *biennial* appropriations was enacted in law. In 1983, the target percentage was removed, and in the last twenty-five years the reserve has not been systematically increased to keep up with the growth in the general fund budget.

Statutory Change: M.S. 16A.152 subdivision 1 and 2

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Agency Purpose

The mission of the Teachers Retirement Association (TRA) is to administer retirement benefits for Minnesota public school educators. Educators and their employers contribute to TRA during their working years and obtain TRA benefits only upon retirement, disability, or termination of employment. Benefits can take the form of monthly payments to retired members or refunds of employee contributions plus interest to members who leave the teaching profession prior to retirement.

Core Functions

TRA serves over 157,000 active, inactive, and retired members using retirement provisions governed under Minnesota statutes. Core functions include:

- payment of retirement, survivor, and disability benefits, to eligible members;
- payment of member contributions, plus interest, for members leaving the teaching profession, and requesting this benefit option;
- benefit counseling and information services to members regarding their benefit rights and options; and
- receipt, verification, and posting of salary, service credit, and other demographic information from the member's employer.

At A Glance

(data as of June 30, 2006)

79,164	Active Members
33,729	Inactive Members
44,683	Retired/Disabled Members
573	Employers
$3.43 billion	Covered Payroll of Active Members
5.50%	Member Contribution Rate of Covered Salary
5%	Employer Contribution Rate of Covered Salary
$19.04 billion	Actuarial Value of Assets
$20.68 billion	Actuarial Liabilities
92.05%	Funding Ratio
$1.22 billion	Annual Benefits and Refunds Paid
$11.9 million	Annual Administrative Expenses
86	Employees

Operations

Management of the association is vested in a board of trustees, which consists of eight members, five of whom are elected from either the active or retired membership. The Board of Trustees appoints an executive director to administer the daily operations of the association. TRA is divided into six main areas of service to its members:

⇒ *Processing Services Division* pays over $104 million monthly of retirement benefits and provides other post-retirement services to over 44,000 recipients.

⇒ *Customer Services Division* provides pre-retirement planning and other benefit counseling services to over 113,000 active and inactive teachers.

⇒ *Data Integrity Division* receives and records member payroll and human resource information from TRA employers and verifies for accuracy.

⇒ *Support Division* provides a pool of skilled and versatile employees who can assist the other divisions to manage varied seasonal workload demands.

⇒ *Systems Services Division* maintains computerized processing and data management services for agency operations, including the TRA home page on the world wide web.

⇒ *Accounting and Records Services Division* supports other operating divisions with document imaging and file maintenance activity in addition to accounts payable, procurement, and financial reporting functions.

In 2006, TRA implemented its business reengineering project (called FROST), designed to replace its aging computer systems with a state-of-the-art, fully-integrated information system that will enable TRA to provide prompt, accurate, and efficient service to our members. As of March 2006, TRA members have online access to their account information and future benefit estimates.

Under legislation passed in 2006, TRA has assumed the assets and liabilities of the former Minneapolis Teachers Retirement Fund Association (MTRFA). Approximately 14,000 active, inactive, and retired former MTRFA members were transferred to TRA effective 6/30/2006.

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Key Measures

TRA's operating values in providing payments and services to its members are guided by the following principles:

⇒ **Accuracy**: Ensuring that all information received, maintained, and provided is clear and accurate.
⇒ **Quality**: Making high-quality services accessible to our customers.
⇒ **Timeliness**: Providing timely receipt and dissemination of information.
⇒ **Efficiency**: Making efficient use of technological and human resources in a team environment.
⇒ **Employee excellence**: Providing ongoing employee development that encourages cooperation and mutual respect, focuses on common goals, and recognizes superior performance.

Specific definitions of performance measurements and reporting were developed as part of the FROST Project.

Budget

TRA operates within a dedicated pension trust fund designed for the exclusive use of its members and beneficiaries. The TRA Board of Trustees annually approves an operating budget. The commissioner of Finance maintains an open appropriation account to fund expenditures. For FY 2007, TRA employed a staff of 86 full-time equivalent employees and expenditures are budgeted at $1.36 billion, including $11 million for administrative expenses. About 99% of the expenditure budget is for the payment of benefits and refunds. The main sources of fund revenues are employee contributions, employer contributions, and net income from investments held in trust.

Contact

Teachers Retirement Association
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Web site: http://www.tra.state.mn.us

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Open Appropriations					
Teachers Retirement	1,110,666	1,355,301	1,434,992	1,505,366	2,940,358
Total	**1,110,666**	**1,355,301**	**1,434,992**	**1,505,366**	**2,940,358**
Expenditures by Category					
Total Compensation	5,943	6,690	6,920	7,140	14,060
Other Operating Expenses	2,647	3,771	5,072	5,226	10,298
Other Financial Transactions	1,102,076	1,344,840	1,423,000	1,493,000	2,916,000
Total	**1,110,666**	**1,355,301**	**1,434,992**	**1,505,366**	**2,940,358**
Expenditures by Program					
Teachers Retire Asn	1,110,666	1,355,301	1,434,992	1,505,366	2,940,358
Total	**1,110,666**	**1,355,301**	**1,434,992**	**1,505,366**	**2,940,358**
Full-Time Equivalents (FTE)	**82.0**	**86.0**	**86.0**	**86.0**	

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Other Revenues:					
Teachers Retirement	331,848	412,130	442,380	463,380	905,760
Total Non-Dedicated Receipts	**331,848**	**412,130**	**442,380**	**463,380**	**905,760**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**331,848**	**412,130**	**442,380**	**463,380**	**905,760**

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➲ Designates that this item is a change item

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Minnesota Department of Transportation

Transportation Building
395 John Ireland Boulevard
Saint Paul, Minnesota 55155-1899

January 22, 2007

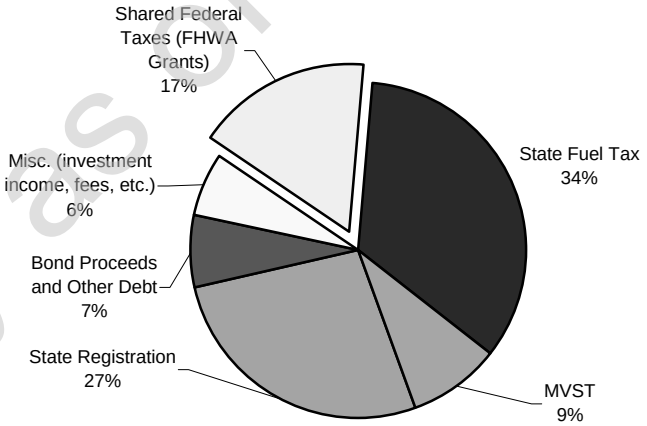
To the 2007 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the FY 2008-09 Minnesota Department of Transportation (Mn/DOT) budget recommendation. This recommendation makes use of the newly passed constitutional dedication of Motor Vehicle Sales Tax (MVST) and other resources available through the State's improved financial condition. This plan consists of transportation improvements, maintenance, and operations totaling approximately $4.2 billion. This budget represents an increase in spending of approximately 4% above the level of spending the legislature approved for the FY 2006-07 biennium.

$4.2 billion represents *all* spending supported by *all* funds appropriated to the agency in the biennial operating budget, whether appropriated directly by the legislature or grants and other types of funding appropriated by State Statutes. The funding appropriated to Mn/DOT supports a multi-modal transportation program to improve quality of life for Minnesotans by moving goods and people, more reliably, more safely, and more efficiently throughout the State.

Where the money comes from:
Of the $4.2 billion Mn/DOT proposes to use in FY 2008-09, approximately 81% is directly appropriated by the legislature and the remainder is statutorily appropriated. Sources of funds to support direct appropriations include State motor fuel taxes, vehicle registration fees, Motor Vehicle Sales Taxes, and shared Federal motor fuel taxes available as direct FHWA grants. The chart to the right shows the approximate shares of revenues supporting Mn/DOT's transportation spending.

Mn/DOT Sources of Funds



As noted above, FY 2008 will be the first year of a five-year phase-in period during which 100% of the Motor Vehicle Sales Tax will be directed to transportation. Together with the Governor's recommendation to add the sales tax on leased vehicles to the funds dedicated to transportation, this dedication will grow to be a significant source by FY 2012 when fully phased-in.

By leveraging the anticipated MVST cash flows through bonding, the legislature will help create transportation benefits for Minnesotans now rather than paying more dollars for less transportation in later years. This budget includes a proposal to accelerate construction of high priority highway projects using bonding supported by future MVST cash flows.

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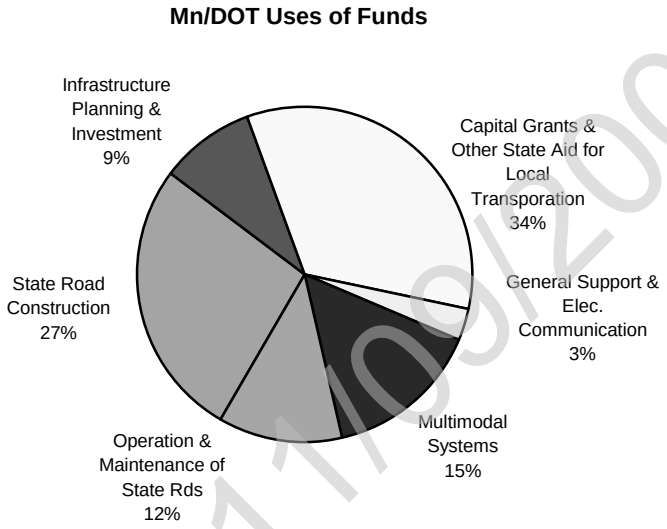
Where the money goes:

Mn/DOT is a multi-modal Agency: its activities include transit, aeronautics, freight and commercial vehicles and, construction, maintenance, and operation of the 12,000 miles of state highways.



A significant portion (more than one-third) of Mn/DOT's appropriations is passed-through to local governments as state aids for local transportation projects and activities.

Highlights of the Governor's budget recommendations for Mn/DOT include:

- $100 million one-time transfer from the general fund to the trunk highway fund to maintain and accelerate needed state road construction, including $5 million for a pilot project to demonstrate technologies that will allow for the future replacement of the gas tax with a fuel-neutral mileage charge.
- $1.7 billion ten-year bonding program to leverage MVST revenues and deliver high priority projects sooner.
- $23.6 million from expansion of the MVST dedication to include revenue from leased vehicles.
- $12M of additional airport capital grants to accelerate local airport construction, maintenance and navigational aid projects.

Mn/DOT is committed to delivering the highest quality and cost effective transportation system to the citizens of Minnesota. The Governor's recommended budget will enable Mn/DOT to continue to provide core transportation services including delivery of our construction program and essential highway maintenance and operations, assisting with rail crossing safety, regulatory compliance of commercial vehicles, improving airports, and providing transit assistance.

Sincerely,

Carol Molnau
Lt. Governor and Commissioner

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	19,221	19,601	19,601	19,601	39,202
Recommended	**19,221**	**20,123**	**19,230**	**19,239**	**38,469**
Change		522	(371)	(362)	(733)
% Biennial Change from 2006-07					-2.2%
State Airports					
Current Appropriation	19,408	19,408	19,408	19,408	38,816
Recommended	**19,408**	**19,408**	**25,474**	**25,542**	**51,016**
Change		0	6,066	6,134	12,200
% Biennial Change from 2006-07					31.4%
Municipal State Aid Street					
Current Appropriation	117,127	120,841	120,841	120,841	241,682
Recommended	**117,127**	**120,841**	**116,860**	**121,281**	**238,141**
Change		0	(3,981)	440	(3,541)
% Biennial Change from 2006-07					0.1%
County State Aid Highway					
Current Appropriation	427,056	453,948	453,948	453,948	907,896
Recommended	**427,056**	**453,948**	**432,966**	**449,352**	**882,318**
Change		0	(20,982)	(4,596)	(25,578)
% Biennial Change from 2006-07					0.1%
Trunk Highway					
Current Appropriation	1,074,065	1,186,381	1,186,361	1,186,361	2,372,722
Recommended	**1,074,065**	**1,186,381**	**1,074,166**	**1,152,057**	**2,226,223**
Change		0	(112,195)	(34,304)	(146,499)
% Biennial Change from 2006-07					-1.5%
Expenditures by Fund					
Direct Appropriations					
General	19,138	20,224	19,230	19,239	38,469
State Airports	17,166	21,650	25,474	25,542	51,016
Municipal State Aid Street	117,051	120,841	116,860	121,281	238,141
County State Aid Highway	416,038	445,088	432,966	449,352	882,318
Trunk Highway	1,067,397	1,245,518	1,074,166	1,152,057	2,226,223
Building	5,000	0	0	0	0
Open Appropriations					
State Airports	54	50	50	50	100
Trunk Highway	4,998	4,555	4,555	4,555	9,110
Highway Users Tax Distribution	737	401	401	401	802
Statutory Appropriations					
Misc Special Revenue	17,973	49,976	24,634	24,734	49,368
State Airports	1,301	2,147	1,203	1,203	2,406
Municipal State Aid Street	2,402	2,633	2,355	2,439	4,794
County State Aid Highway	8,849	12,482	12,665	13,117	25,782
Trunk Highway	16,830	56,435	50,214	50,214	100,428
Federal	194,385	270,783	311,853	288,863	600,716
Greater Minnesota Transit	7,627	7,423	0	0	0
Miscellaneous Agency	662	602	467	467	934
Transit Assistance	0	0	8,399	9,371	17,770
Total	**1,897,608**	**2,260,808**	**2,085,492**	**2,162,885**	**4,248,377**

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Expenditures by Category					
Total Compensation	308,101	319,478	324,259	330,586	654,845
Other Operating Expenses	202,479	321,136	280,052	274,258	554,310
Capital Outlay & Real Property	618,331	780,253	634,698	693,698	1,328,396
Payments To Individuals	98	70	68	68	136
Local Assistance	755,238	767,238	791,297	790,992	1,582,289
Other Financial Transactions	7,679	72,628	55,113	73,278	128,391
Non-Cash Transactions	5,682	5	5	5	10
Total	**1,897,608**	**2,260,808**	**2,085,492**	**2,162,885**	**4,248,377**
Expenditures by Program					
Multimodal Systems	158,528	248,730	277,684	256,765	534,449
State Roads	1,046,284	1,262,593	1,079,095	1,155,546	2,234,641
Local Roads	635,244	681,288	665,571	686,914	1,352,485
General Support & Services	57,552	68,197	63,142	63,660	126,802
Total	**1,897,608**	**2,260,808**	**2,085,492**	**2,162,885**	**4,248,377**
Full-Time Equivalents (FTE)	**4,541.5**	**4,498.2**	**4,498.2**	**4,498.2**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**19,601**	**19,601**	**19,601**	**39,202**
Technical Adjustments				
One-time Appropriations		(380)	(380)	(760)
Subtotal - Forecast Base	**19,601**	**19,221**	**19,221**	**38,442**
Change Items				
FY 2007 MVST Deficiency	522	0	0	0
Compensation Adjustment	0	9	18	27
Total Governor's Recommendations	**20,123**	**19,230**	**19,239**	**38,469**
Fund: STATE AIRPORTS				
FY 2007 Appropriations	**19,408**	**19,408**	**19,408**	**38,816**
Subtotal - Forecast Base	**19,408**	**19,408**	**19,408**	**38,816**
Change Items				
Airport Development/Assistance Increase	0	6,000	6,000	12,000
Compensation Adjustment	0	66	134	200
Total Governor's Recommendations	**19,408**	**25,474**	**25,542**	**51,016**
Fund: MUNICIPAL STATE AID STREET				
FY 2007 Appropriations	**120,841**	**120,841**	**120,841**	**241,682**
Technical Adjustments				
End-of-session Estimate		(5,469)	(1,340)	(6,809)
Subtotal - Forecast Base	**120,841**	**115,372**	**119,501**	**234,873**
Change Items				
Dedication of Vehicle Leasing Sales Tax	0	1,488	1,780	3,268
Total Governor's Recommendations	**120,841**	**116,860**	**121,281**	**238,141**
Fund: COUNTY STATE AID HIGHWAY				
FY 2007 Appropriations	**453,948**	**453,948**	**453,948**	**907,896**
Technical Adjustments				
End-of-session Estimate		(26,646)	(11,373)	(38,019)
Subtotal - Forecast Base	**453,948**	**427,302**	**442,575**	**869,877**
Change Items				
Dedication of Vehicle Leasing Sales Tax	0	5,664	6,777	12,441
Total Governor's Recommendations	**453,948**	**432,966**	**449,352**	**882,318**
Fund: TRUNK HIGHWAY				
FY 2007 Appropriations	**1,186,381**	**1,186,361**	**1,186,361**	**2,372,722**
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
February Forecast Adjustment		129	(329)	(200)
November Forecast Adjustment	0	(7,687)	(680)	(8,367)
One-time Appropriations		(129,750)	(129,750)	(259,500)
Subtotal - Forecast Base	**1,186,381**	**1,049,053**	**1,055,602**	**2,104,655**
Change Items				
State Road Construction Realignment	0	0	0	0
Trunk Highway Funding and Bonding	0	101,260	12,876	114,136
State Road Construction Timing Change	0	(77,000)	77,000	0
Metro Radio System to 911 Fund	0	(1,160)	(1,160)	(2,320)
Trunk Highway Fund Sales Tax Exemption	0	(4,125)	(4,660)	(8,785)

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Compensation Adjustment	0	6,138	12,399	18,537
Total Governor's Recommendations	**1,186,381**	**1,074,166**	**1,152,057**	**2,226,223**
Fund: STATE AIRPORTS				
Planned Open Spending	**50**	**50**	**50**	**100**
Total Governor's Recommendations	**50**	**50**	**50**	**100**
Fund: TRUNK HIGHWAY				
Planned Open Spending	**4,555**	**4,555**	**4,555**	**9,110**
Total Governor's Recommendations	**4,555**	**4,555**	**4,555**	**9,110**
Fund: HIGHWAY USERS TAX DISTRIBUTION				
Planned Open Spending	**401**	**401**	**401**	**802**
Total Governor's Recommendations	**401**	**401**	**401**	**802**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**49,976**	**24,034**	**24,134**	**48,168**
Change Items				
Truck size and weights	0	600	600	1,200
Total Governor's Recommendations	**49,976**	**24,634**	**24,734**	**49,368**
Fund: STATE AIRPORTS				
Planned Statutory Spending	**2,147**	**1,203**	**1,203**	**2,406**
Total Governor's Recommendations	**2,147**	**1,203**	**1,203**	**2,406**
Fund: MUNICIPAL STATE AID STREET				
Planned Statutory Spending	**2,633**	**2,355**	**2,439**	**4,794**
Total Governor's Recommendations	**2,633**	**2,355**	**2,439**	**4,794**
Fund: COUNTY STATE AID HIGHWAY				
Planned Statutory Spending	**12,482**	**12,665**	**13,117**	**25,782**
Total Governor's Recommendations	**12,482**	**12,665**	**13,117**	**25,782**
Fund: TRUNK HIGHWAY				
Planned Statutory Spending	**56,435**	**50,214**	**50,214**	**100,428**
Total Governor's Recommendations	**56,435**	**50,214**	**50,214**	**100,428**
Fund: FEDERAL				
Planned Statutory Spending	**270,783**	**311,853**	**288,863**	**600,716**
Total Governor's Recommendations	**270,783**	**311,853**	**288,863**	**600,716**
Fund: GREATER MINNESOTA TRANSIT				
Planned Statutory Spending	**7,423**	**0**	**0**	**0**
Total Governor's Recommendations	**7,423**	**0**	**0**	**0**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**602**	**467**	**467**	**934**
Total Governor's Recommendations	**602**	**467**	**467**	**934**
Fund: TRANSIT ASSISTANCE				
Planned Statutory Spending	**0**	**0**	**0**	**0**
Change Items				
Dedicate Sales Tax to Transportation	0	8,399	9,371	17,770
Total Governor's Recommendations	**0**	**8,399**	**9,371**	**17,770**

Revenue Change Items

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: MISC SPECIAL REVENUE				
Change Items				
Truck size and weights	0	600	600	1,200
Fund: TRUNK HIGHWAY				
Change Items				
Trunk Highway Funding and Bonding	0	100,000	0	100,000
TRLF Repayment	0	4,600	0	4,600
Medtronic Land Sale	0	1,221	0	1,221
Fund: HIGHWAY USERS TAX DISTRIBUTION				
Change Items				
Dedication of Vehicle Leasing Sales Tax	0	17,400	20,820	38,220
Fund: TRANSIT ASSISTANCE				
Change Items				
Dedicate Sales Tax to Transportation	0	8,399	9,371	17,770

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Agency Purpose

The Minnesota Department of Transportation (Mn/DOT) was created by the state legislature in 1976. Its role is to develop and implement transportation policies, plans, and programs that enhance the quality of life for Minnesota citizens.

Meeting Minnesota's transportation needs, now and in the future, is one of the top policy goals of the Pawlenty-Molnau administration. Mn/DOT's work will be guided by the administration's governing principles of commitment to mission, focus on customers, simplify government, manage for results, and improvement by innovation.

Mn/DOT's vision affirms what citizens want for Minnesota: a coordinated transportation network that meets the needs of Minnesota citizens and businesses for safe, timely, and predictable travel.

At A Glance

FY 2006-07 Budget (000s)

◆ Operating budget	$1,151,194
◆ Capital expenditure	1,398,584
◆ Grants	1,608,116
◆ Total	$4,157,894

Mn/DOT's primary source of financing is the Trunk Highway Fund, which is supported by motor fuel taxes, motor vehicle registration fees, and motor vehicle sales taxes. Other sources include federal funds and state airport funds. Less than 1% of the operating budget is from the General Fund.

Mn/DOT's mission is to improve access to markets, jobs, goods and services, and improve mobility by focusing on priority transportation improvements and investments that help Minnesotans travel safer, smarter, and more efficiently.

Mn/DOT's strategic directions are to:

- safeguard what exists,
- make the transportation network operate better, and
- make Mn/DOT work better.

Mn/DOT's investment objectives are:

⇒ Building More – addressing congestion, supporting cost-effective investments, and pursuing long-range funding.

⇒ Building Faster – accelerate construction and shorten construction time for highway and bridge projects, and accelerate funding for transit advantages.

⇒ Moving Better – focus on cost-effective investments that improve safety, reduce congestion, and improve mobility.

Core Functions

State Roads – includes the construction, operation, and maintenance of the state's approximately 12,000-mile trunk highway system.

Local Roads – includes the local financial resources for county and municipal roads generated by the constitutional funding sources.

Multimodal Systems – includes supporting the use and development of cost-effective transportation modes – transit, air, railroads, and waterways – owned and operated by local governments and private operators. This includes financial investments, technical assistance, and operational reviews.

General Support – includes general department-wide administrative functions (accounting, personnel, information resources), the commissioner's office, and the policy functions of the department. It also includes the construction and centrally directed maintenance of all the department's buildings.

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Operations

Highways

Mn/DOT constructs, operates, and maintains the state trunk highway system that includes nearly 12,000 miles of roads and 4,767 bridges. This system carries about 61% of all travel for the entire 130,000-mile system of state and local roads.

Freight

Mn/DOT promotes the safe and efficient movement of freight by railroads, waterways, and motor carriers by managing investment programs, administering construction projects, ensuring compliance with statutes, and developing freight policies.

Aeronautics

Mn/DOT promotes general and commercial aviation throughout the state, and provides services including aircraft registration, airport development, aviation system planning, aviation education, and government aircraft services.

Transit

Mn/DOT provides statewide leadership in the development and implementation of transit systems, including management of state and federal funds for greater Minnesota public transit, planning activities associated with bicycle and pedestrian systems, planning and construction of commuter rail, and the construction of the Hiawatha Light Rail Transit (LRT) line.

Budget

Mn/DOT's investment objectives focus on building more, building faster, and moving better. Mn/DOT has used budget reallocation and innovative financing techniques totaling $825 million to advance critical road and bridge expansion, transit improvement, and safety projects by more than a total of 65 years. The 2003 Pawlenty-Molnau transportation package authorized Mn/DOT to issue $400 million in highway bonds by accessing $425 million in advance federal funds for 2004-07. Long-term financing options can be considered to continue to make transportation improvements. Mn/DOT prepared an activity-based budget for FY 2006-07 that reflects the actual products and services the agency delivers to customers, and incorporates a comprehensive business planning process to support investment decisions and performance measurement.

Contact

For more information about Mn/DOT, contact:

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Minnesota Department of Transportation
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Saint Paul, Minnesota 55155
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Program Description

This program provides support for transit, rail, and air services/infrastructure owned and operated by local government and the private sector. Transit includes the provision of transit service in greater Minnesota and the construction of commuter rail. Freight includes statutory responsibilities for rail/water system improvements primarily through loans or grants to public port authorities, regional railroad authorities, and shippers. The Aeronautics activity includes aircraft registration, aviation system planning, airport development, aviation education, and government aircraft services.

Budget Activities

⇒ Aeronautics
⇒ Transit
⇒ Freight

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	19,156	19,156	19,156	19,156	38,312
Subtotal - Forecast Base	19,156	19,156	19,156	19,156	38,312
Governor's Recommendations					
FY 2007 MVST Deficiency		522	0	0	0
Compensation Adjustment		0	9	18	27
Total	**19,156**	**19,678**	**19,165**	**19,174**	**38,339**
State Airports					
Current Appropriation	19,383	19,383	19,383	19,383	38,766
Subtotal - Forecast Base	19,383	19,383	19,383	19,383	38,766
Governor's Recommendations					
Airport Development/Assistance Increase		0	6,000	6,000	12,000
Compensation Adjustment		0	66	134	200
Total	**19,383**	**19,383**	**25,449**	**25,517**	**50,966**
Trunk Highway					
Current Appropriation	6,608	6,608	6,608	6,608	13,216
Technical Adjustments					
Approved Transfer Between Appr			(154)	(154)	(308)
Subtotal - Forecast Base	6,608	6,608	6,454	6,454	12,908
Governor's Recommendations					
Trunk Highway Fund Sales Tax Exemption		0	(14)	(16)	(30)
Compensation Adjustment		0	110	220	330
Total	**6,608**	**6,608**	**6,550**	**6,658**	**13,208**
Expenditures by Fund					
Direct Appropriations					
General	19,080	19,759	19,165	19,174	38,339
State Airports	17,141	21,625	25,449	25,517	50,966
Trunk Highway	6,206	6,781	6,550	6,658	13,208
Statutory Appropriations					
Misc Special Revenue	9,040	28,835	11,481	11,481	22,962
State Airports	1,301	2,147	1,203	1,203	2,406
Federal	97,879	161,650	205,022	182,946	387,968
Greater Minnesota Transit	7,627	7,423	0	0	0
Miscellaneous Agency	254	510	415	415	830
Transit Assistance	0	0	8,581	9,450	18,031
Total	**158,528**	**248,730**	**277,866**	**256,844**	**534,710**
Expenditures by Category					
Total Compensation	11,463	12,131	12,415	12,610	25,025
Other Operating Expenses	5,525	114,144	106,862	106,860	213,722
Capital Outlay & Real Property	7,148	5,642	6,010	6,010	12,020
Payments To Individuals	96	68	68	68	136
Local Assistance	132,926	108,681	149,786	128,571	278,357
Other Financial Transactions	1,370	8,064	2,725	2,725	5,450
Total	**158,528**	**248,730**	**277,866**	**256,844**	**534,710**

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Activity					
Aeronautics	95,065	125,055	127,638	127,715	255,353
Transit	50,309	100,354	133,115	111,924	245,039
Freight	13,154	23,321	17,113	17,205	34,318
Total	**158,528**	**248,730**	**277,866**	**256,844**	**534,710**
Full-Time Equivalents (FTE)	**152.7**	**149.6**	**149.6**	**149.6**	

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Activity Description

The Aeronautics activity exists to enhance aviation safety and promote aviation by providing educational, technical, and financial assistance for developing and maintaining an air transportation system for the social and economic benefit of Minnesota citizens. The activity supports the development and maintenance of a system of airports, establishes and operates a system of navigation aids, and connects trade centers with the nation and the world.

Activity at a Glance

- 19,996 licensed Minnesota pilots
- 6,707 active, registered aircraft
- 7,522 licensed aircraft mechanics
- 136 airports in State Aviation System Plan
- (95 airports eligible for federal funds)
- 19 public-use seaplane bases
- 36 million commercial passengers

Population Served

Pilots, Aircraft Owners, and Aviation Service Businesses: Persons who rely on air transportation as part of a normal routine and the service industry businesses that support those transportation needs.

⇒ **Agricultural Industry:** Businesses using aerial application to enhance crop production.
⇒ **Infrastructure Providers:** Airport owners, planning organizations, consultants, and vendors.
⇒ **Emergency Service Responders:** Persons using air transportation in an emergency situation, including the state patrol, air ambulance operators, aerial fire fighters, the Civil Air Patrol, and local police.
⇒ **Communities and Neighborhoods:** Gatherings for "issue or event-specific" aviation purposes.
⇒ **Aviation Colleges and Universities, Teachers, Students, and Industry Employees:** Individuals who receive education, training, and development assistance.
⇒ **Business and Personal Travelers:** Corporate executives, trades people, sales people, government employees, business, and corporate airline travelers, as well as people traveling for non-work purposes, including trips for recreation, medical purposes, vacations, and other personal reasons.
⇒ **Air Carriers:** Air charter providers, corporate aircraft, airlines such as Minnesota-based Northwest Airlines, Mesaba Airlines, Champion Air, and Sun Country Air Lines. Delivery services like UPS, FEDEX, DHL, and the US Postal Service.
⇒ **Shippers:** Businesses distributing products to local, national, or international destinations.

Services Provided

Aeronautics Administration

This service oversees the functions of accounting, purchasing, inventory control, secretarial support; budget preparation, monitoring of the spending plan, training coordination, and facilities management for the Aeronautics office building. This service also provides computer support and the management staff for the Minnesota Department of Transportation (Mn/DOT) Office of Aeronautics.

Air Transportation Operations

Air transportation services are provided to state employees, the legislature, university personnel and constitutional officers when conducting official business using state owned aircraft. Services are provided in either an eight-passenger 1993 Beechcraft King Air B200 or a six-passenger 1981 Beechcraft King Air C90. Aircraft are scheduled upon receipt of a telephone request, followed by a written air travel request signed by an approving authority. This activity also offers air shuttle service each Tuesday to Bemidji and Detroit Lakes. The schedule is designed to conform closely to normal work hours and allows users about six hours at each destination. Service on the shuttle is available to other state agencies on a space available basis. Mn/DOT charges a single rate per mile for either aircraft. All flights depart from the St. Paul Downtown Airport.

Airport System Investment and Planning

This service provides technical, financial, and administrative assistance to publicly owned airports for aviation system planning, airport master planning, site selection, airport zoning, airspace issues, airport layout plans, project development and programming, land acquisition, project design, construction management, maintenance activities, and equipment purchases.

Financial aid is requested by municipalities for eligible airport projects in the form of State Airport Improvement grants and Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants. In the application

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for financial aid the municipality must show the project scope and justification, the estimated cost, the time schedule, and availability of local matching funds. Mn/DOT Aeronautics applies for federal aid on behalf of municipalities; receives and disburses all federal funds as required by state law; reviews and approves project plans, specifications, and contract documents; prepares and administers state-aid agreements; conducts periodic on-site inspections to ensure compliance with contract documents and grant agreements; approves change orders and partial and final payments; and prepares and processes the state-aid payments.

Three additional funding programs are also administered by this activity. The Airport Maintenance Grant Program provides state reimbursement for a portion of documented eligible maintenance and operation expenses, up to a ceiling amount based on each airport's infrastructure. A hangar loan program provides loans to municipalities for construction of aircraft storage hangars. An air service marketing grant program is available to airports with airline service to encourage the preservation and expansion of that service in greater Minnesota. An air service marketing grant may also be used to study the feasibility of new or enhanced air service initiatives.

The construction and installation of enroute and terminal navigational aids are provided at no cost to the local government and in partnership with the FAA as safety improvements.

Aviation System Management
This service provides aviation customers with continued infrastructure reliability by furnishing weather information systems, providing navigational aids repair and maintenance, conducting airport safety inspections, licensing airports, licensing commercial aviation operators at airports, registering aircraft, and ensuring safety and regulatory compliance.

Traveler Information
This service provides critical weather information to pilots by gathering statewide weather information through a network of 67 Automated Weather Observation Systems (AWOS). These facilities transmit information to the National Weather Service who process and make it available through national weather networks. Computers are strategically placed at airports throughout the state so the current weather data is available. Weather information is also distributed via public television Channel 17 in the Twin Cities area and via cable and dish networks in greater Minnesota. In addition to aviation, this information is used by many user groups, including school systems, farmers, contractors, and individuals who wish to make informed decisions on their activities.

Statewide Aeronautical Charts are updated every other year and provided to all Minnesota pilots. An Airport Directory and Travel Guide is updated annually and provided to each Minnesota aircraft owner. The information included in these resources is available on the Mn/DOT web site to anyone with internet access

The office participates in the presentation of 15 to 30 flight safety seminars a year at locations across the state to refresh pilot awareness of hazards to flight operations. The safety seminar program is conducted in partnership with the FAA. The office also provides annual required educational programs for aircraft mechanics to increase the safety of flight through new and emerging technologies and safety practices. New programs and initiatives are developed and implemented that utilize industry required standards for workforce expertise and safety.

The office directs and manages the development of educational materials, curriculum, and programs that create statewide aviation education. In addition, the office collaborates with colleges, universities, K-12 schools, businesses, airports, organizations, and industry to provide information and activities to enhance the public's knowledge of the social and economic impact of aviation in Minnesota. This is accomplished through sponsorship of events and creation of innovative interactive programs.

Historical Perspective

Grants Authority:
State Construction Grants, M.S. 360.011, 360.015, 360.305. Municipalities that own airports receive grants to finance capital improvements. Airports must be zoned or in the process of being zoned to be eligible for a construction grant. The agency maintains a five-year Capital Improvement Plan (CIP) that lists potential projects with estimated costs and time schedules.

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State Maintenance Grants, M.S. 360.011, 360.015, 360.305. The agency issues maintenance grants to municipalities that own airports for part of their operating and maintenance costs. To be eligible for the grant, the municipality must zone the airport. The agency establishes a maximum reimbursement for each airport based on the area of runway, and taxiway, the size of lighting system(s), and available funding. Each category has a state/local cost share and a maximum allowable reimbursement.

Federal AIP Grants, M.S. 360.011, 360.015, 360.016. The Federal Aviation Administration (FAA) issues grants to municipalities for capital improvements to their airports. The FAA uses a rating system to evaluate and rank projects for programming purposes. Under state law, Mn/DOT serves as agent for communities applying for federal grants, as well as receiver and disburser of funds to the municipality.

Key Measures

⇒ More than 86% of the 40 Regional Trade Center Airports will have a pavement condition of good or better and less than 4% will have pavement condition of poor by 2023. In 2003, 88% of pavements were rated good or better and 3% were poor or worse. Levels were 88% good and 3% poor in 2004, 87% good and 3% poor in 2005, and 87% good and 3% poor in 2006. Conditions are estimated to be 83% good and 4% poor in 2007.

⇒ Passenger miles for Air Transportation Operations are recovering from a 2002 and 2003 decline. Continued moderate growth for the next few years is predicted.

⇒ The Office of Aeronautics, the FAA, and customer groups will work to reduce general aviation crashes to 30 per year by 2023. The number of crashes has been increasing, with a three-year average of 37 in 2002, and 42 in 2004. Improved weather information dissemination and Pilot Safety Seminars are the primary tools available to reduce accidents.

⇒ As accidents have increased, fatalities have also been increasing, with a three-year average of eight in 2002 and 12 in 2005. The goal is six or less in any year by 2025.

⇒ A Pilot Information measure determines the percentage of pilots with access to weather information at public airports by evaluating the number of aircraft based at the airports that provide weather service. The percent has increased from 94.1% in 2004 to 94.3% in 2006. The target is a minimum of 95%.

⇒ Mn/DOT operated navigational aids will have an operating reliability of 98% or greater. This measure has performed consistently between 98.0% and 98.9% between the years 1997 and 2005.

Activity Funding

The state airports fund, a statutory dedicated fund, supports this program. Income to this fund comes from aviation fuel tax, aircraft registration tax, airline flight property tax, and investment interest income. The FAA AIP also supports portions of the program with grants issued to municipalities for improvements at airports which are a part of the National Plan of Integrated Airport Systems.

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TRANSPORTATION DEPT
Program: MULTIMODAL SYSTEMS
Activity: AERONAUTICS

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
State Airports					
Current Appropriation	19,383	19,383	19,383	19,383	38,766
Subtotal - Forecast Base	19,383	19,383	19,383	19,383	38,766
Governor's Recommendations					
Airport Development/Assistance Increase		0	6,000	6,000	12,000
Compensation Adjustment		0	66	134	200
Total	**19,383**	**19,383**	**25,449**	**25,517**	**50,966**
Trunk Highway					
Current Appropriation	837	837	837	837	1,674
Subtotal - Forecast Base	837	837	837	837	1,674
Governor's Recommendations					
Compensation Adjustment		0	10	19	29
Total	**837**	**837**	**847**	**856**	**1,703**
Expenditures by Fund					
Direct Appropriations					
State Airports	17,141	21,625	25,449	25,517	50,966
Trunk Highway	735	939	847	856	1,703
Statutory Appropriations					
Misc Special Revenue	54	344	139	139	278
State Airports	1,301	2,147	1,203	1,203	2,406
Federal	75,834	100,000	100,000	100,000	200,000
Total	**95,065**	**125,055**	**127,638**	**127,715**	**255,353**
Expenditures by Category					
Total Compensation	3,522	3,805	3,881	3,958	7,839
Other Operating Expenses	3,771	105,323	105,083	105,083	210,166
Capital Outlay & Real Property	970	10	510	510	1,020
Local Assistance	85,941	14,502	17,464	17,464	34,928
Other Financial Transactions	861	1,415	700	700	1,400
Total	**95,065**	**125,055**	**127,638**	**127,715**	**255,353**
Full-Time Equivalents (FTE)	**44.7**	**44.6**	**44.6**	**44.6**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Airports Fund				
Expenditures	6,000	6,000	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$6,000	$6,000	$0	$0

Governor's Recommendation

The Governor recommends a one-time increase to airport development and assistance of $6 million per year in FY 2008 and 2009.

Background

This request provides funding for investments focused on maintaining and preserving existing airport infrastructure, improving safety, coordinating air travel with other transportation modes, and empowering local government. Eligible projects include planning, land acquisition, paving, lighting, navigational aids, obstruction removal, equipment purchase, fencing, and other needs. State Airport Funds are used to maximize Federal (FAA) Funds, support functions not eligible for FAA funds, and provide projects at non-federally eligible airports. Projects selected for funding make the transportation network operate better by connecting airports to other trade centers in the nation and the world. Each year more projects are identified in the Statewide Capital Improvement Plan (CIP) than are funded. Recent airline bankruptcies led to State Airports Fund shortages. A backlog of unfunded projects resulted. A one-time increase in airport grants of $6 million per year in FY 2008 and FY 2009 is requested. This initiative uses funding restored to the State Airports Fund (Article 1, Section 2, Chapter 18 of the Session Laws for the 2003 Special Session) for the purposes directed in M.S. Chapter 360. Specifically, funds will be used to address a backlog in state grant funded maintenance, construction, and navigation aids projects at local airports.

Relationship to Base Budget

The current state funded base budget for airport assistance is $13.491 million per year. The requested one-time appropriation increase is $6 million per year for airport maintenance, construction, and navigation aids project grants to local governments. These funds would be distributed each year as follows; Construction Grants - $4.992 million, Navigational Aids - $500,000, State owned Pine Creek Airport Operations - $8,000, and Construction of a Cross-wind Runway at State owned Pine Creek Airport - $500,000. Future operational expenses from an expanded navigation aids system will increase the base by less than 1%.

Key Measures

Aeronautics performance measures will be maintained at or above target levels with the funding requested herein. The current runway pavement condition measure is 87% "good", "3% poor". Without additional funding, pavement condition rating is expected to fall to 64% "good" and 11% "poor" by 2010. Added project funds will bring the "good" rating to 88% and the "poor" rating to 2% by 2010. The navigation aids system performance measure shows the system currently operational 98.9% of the time.

Statutory Change: Not Applicable

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Activity Description

The transit activity provides transportation alternatives to driving alone, and allows people to live independently, and to participate fully in Minnesota's communities and economy. The goals of the state transportation system include providing transit services throughout the state to meet the needs of transit users (M.S. 174.01). In greater Minnesota the public transit participation program (M.S. 174.24) is supported by the General Fund and revenues from Motor Vehicle Sales Tax (MVST – M.S. 297B.09) that are deposited in the greater Minnesota Transit Fund (M.S. 16A.88). The program provides grants for operating and capital assistance to fund public transit service outside the metropolitan area in 66 of 80 counties. This activity also maintains a statewide system plan for bicycle transportation, supports bicycle and pedestrian systems, and promotes non-travel alternatives such as teleworking.

Activity at a Glance

- Countywide public transit provided in 66 of 80 greater Minnesota counties
- 964,000 hours of bus service (2005 data)
- 582 buses (2005 data)
- 9,601,400 passenger trips (2005 data)
- Ongoing planning activities for bicycles and pedestrians
- Northstar Corridor Rail Project final design underway
- Red Rock Corridor Alternatives Analysis underway

The Twin Cities regional transportation plan encourages development of transit ways centered on the downtowns of Minneapolis and St. Paul. Minnesota Department of Transportation (Mn/DOT) is responsible for planning, design, construction, and operation of commuter rail (M.S. 174.82) and for design and construction of Light Rail Transit (LRT) (M.S. 174.35). Hiawatha LRT opened in June 2004 from Fort Snelling to downtown Minneapolis and from the Mall of America through the airport to Fort Snelling in December 2004. Work is underway on one commuter rail corridor: Northstar (Big Lake to downtown Minneapolis) has completed preliminary engineering and started final design and property acquisition. The final portion of state funding was committed by the legislature and a bill signed by the governor in May 2006. Construction is scheduled to begin in 2007 with revenue service opening in 2009. The Draft Environmental Impact Statement for Central Corridor transit improvements was published in 2006. A locally preferred alternative of LRT on University Avenue was selected after the public comment period concluded. Alternatives analysis is underway on the Red Rock corridor (Hastings through St. Paul to downtown Minneapolis) to determine the best transit mode and route.

Population Served

Customers served by this activity include commuters (those traveling for the purpose of work) and personal travelers (those traveling to non-work destinations, including educational institutions, medical appointments, shopping centers, recreational facilities, and congregate dining). This activity benefits thousands of Minnesotans in areas where public transit is often the only means of access to life-sustaining goods, services, and work opportunities. The proportion of people who are dependent upon public transportation (the elderly, persons with disabilities, and people with low income) is expected to increase more rapidly than the population as a whole.

Transit use helps to extend investments on parallel roadways—people using transit occupy less roadway space, thereby benefiting those shippers, commuters, and travelers who must use the roadways.

Services Provided

The transit activity helps people and communities meet their mobility needs by supporting safe, responsive, efficient and environmentally sound transit services. It provides access to transit for persons who have no alternative mode of transportation available, increases the efficiency and productivity of public transit systems, maintains a state commitment to public transportation and meets other needs of individual transit systems consistent with the objectives stated in M.S. 174.21.

As economic activity, health care services, government services, and educational facilities become more concentrated in regional centers, the need to travel to and within these centers continues to increase. One of the strategies to maintain a desirable level of regional accessibility is an improved transit system—this also provides a modal choice option. A network of bus, light rail, and commuter rail services combined with bike trails and

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highways provides for such a multimodal, integrated transportation system. Corridor projects are expected to improve air quality, travel time, security, and the quality of service for Twin Cities transit customers. Projects will also enhance economic development in the corridors. Transit products and services fall into three areas:

Transit System Investment and Planning provides grants to eligible recipients to operate public transit services in greater Minnesota as well as planning, technical assistance and evaluation activities related to transit. It also develops comprehensive passenger rail transit plans that guide public investment and provides necessary information about commuter rail, light rail, and inter-city rail transportation in Minnesota. In the Twin Cities metropolitan area it supports transit corridor projects as well as Rideshare projects and certain Congestion Mitigation Air Quality (CMAQ) transit projects.

Transit Operations and Maintenance includes activities that support commuter bus projects such as service operation, equipment, station areas, and park and ride lots. These activities give commuters in the metro area an additional travel option in highly traveled corridors.

Transit Administration provides the office with management, administration, support services, and coordination with Minnesota and federal agencies for management of transit grants and capital projects. Additionally, e-government services are developed to reduce costs for both Mn/DOT and the transit providers.

Historical Perspective

Minnesota established a public transit participation program to meet objectives stated in M.S. 174.21 by providing financial assistance to eligible recipients outside of the metropolitan area. Public transit systems in greater Minnesota receive state assistance through a fixed local share funding formula. These public transit systems also receive federal assistance through the Federal Transit Administration's Section 5311, Non-urbanized Area Formula Program. Currently grants are provided for operating and capital assistance to fund 63 public transit systems outside the metropolitan area. Countywide service is provided in 66 of 80 counties (seven counties are without public transit service and seven have service only in certain municipalities).

M.S. 174.84 instructed the commissioner of Mn/DOT to develop a Commuter Rail System Plan by 1-15-2000. That plan identified three Tier One corridors to be completed by 2020 and three Tier Two corridors for completion after 2020. Mn/DOT is conducting final design on the first Tier One line, the Northstar Corridor Rail Project, and is seeking full funding grant agreement from the Federal Transit Administration for construction of the project. The second Tier One line, Red Rock, is conducting an Alternatives Analysis. The 2002 Minnesota legislature prohibited further study of the third Tier One line, Dan Patch.

Key Measures

⇒ *Preserve existing public transit systems in greater Minnesota*
Maintain current level of public transit service levels in greater Minnesota – provide resources and technical assistance to maintain the current level of public transit service (service hours, trips, and number of people with access to services). The service level is projected to peak at 980,000 hours in 2007. If both sources of state funds remain constant, funding would support 958,000 hours of bus service for greater Minnesota systems in 2008 and 951,000 hours in 2009. By statute the MVST directed to greater Minnesota transit reverts from 1.43% to 1.25% in FY 2008. If this occurs and general funds remain constant, funding is expected to be sufficient to provide 940,000 hours of service per year for the biennium. Ridership in greater Minnesota was 9.601 million in 2005.

⇒ *Increase the availability of public transit service in greater Minnesota*
The goal of the Greater Minnesota Transit Plan is to meet 80% of transit service need by 2010 – increase bus service hours 7% annually.

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Number of counties in greater Minnesota with countywide public transit service:

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
53	58	59	63	64	64	66	65	65	65	66	66 est

Route miles and annual revenue service hours will be measured for commuter rail and inter-city rail when those services open.

Greater Minnesota transit systems are funded through a financial partnership that includes local, state, and federal participation. In support of this public transit service, Mn/DOT's first priority is preserving existing transit systems. Mn/DOT's Business Plan and Budget Targets also include the expansion of transit into unserved areas. Mn/DOT is the designated recipient of all FTA funds for rural transit operations in greater Minnesota, and also for certain funds used for activities such as rideshare, transit ways, corridor studies, buses and bus facilities in the Twin Cities metro area.

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Related documents and information:
http://www.dot.state.mn.us/transit
(651) 296-7052 Greater Minnesota Public Transit Plan; Annual Transit Report; Transit Programs – Federal; Bicycle and Pedestrian Programs

http://www.dot.state.mn.us/bike
Resources for bicyclists

http://www.dot.state.mn.us/passengerrail
Commuter Rail Twin Cities Commuter Rail System Plan; and Corridor Updates
Inter-City Rail Midwest Regional Rail Initiative

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TRANSPORTATION DEPT
Program: MULTIMODAL SYSTEMS
Activity: TRANSIT

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	18,810	18,810	18,810	18,810	37,620
Subtotal - Forecast Base	18,810	18,810	18,810	18,810	37,620
Governor's Recommendations					
FY 2007 MVST Deficiency		522	0	0	0
Compensation Adjustment		0	2	4	6
Total	**18,810**	**19,332**	**18,812**	**18,814**	**37,626**
Trunk Highway					
Current Appropriation	795	795	795	795	1,590
Technical Adjustments					
Approved Transfer Between Appr			(75)	(75)	(150)
Subtotal - Forecast Base	795	795	720	720	1,440
Governor's Recommendations					
Compensation Adjustment		0	13	27	40
Total	**795**	**795**	**733**	**747**	**1,480**
Expenditures by Fund					
Direct Appropriations					
General	18,780	19,362	18,812	18,814	37,626
Trunk Highway	677	763	733	747	1,480
Statutory Appropriations					
Misc Special Revenue	7,850	21,089	8,521	8,521	17,042
Federal	15,121	51,207	96,053	73,977	170,030
Greater Minnesota Transit	7,627	7,423	0	0	0
Miscellaneous Agency	254	510	415	415	830
Transit Assistance	0	0	8,581	9,450	18,031
Total	**50,309**	**100,354**	**133,115**	**111,924**	**245,039**
Expenditures by Category					
Total Compensation	2,383	2,357	2,369	2,393	4,762
Other Operating Expenses	496	5,663	365	365	730
Capital Outlay & Real Property	349	96	0	0	0
Payments To Individuals	96	68	68	68	136
Local Assistance	46,985	92,170	130,313	109,098	239,411
Total	**50,309**	**100,354**	**133,115**	**111,924**	**245,039**
Full-Time Equivalents (FTE)	**32.0**	**29.4**	**29.4**	**29.4**	

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Activity Description

This activity is designed to enhance Minnesota's economic vitality by improving access to regional, national, and global markets through investments and policies that increase the safety and efficiency of goods movement. This activity also advances highway safety by working with providers of commercial transportation to improve and enhance the safety and security of their operations, and to assure that they are in compliance with state and federal laws.

Activity at a Glance

- Minnesota Rail Service Program (MRSI) loans distributed: $3,395,800
- MRSI repayments: $2,501,309
- Port Assistance grants: $348,476
- Grade Crossing Safety Improvement: 42
- Construction Projects: 30
- Safety Performance Evaluations: 983
- Safety Classes: 185
- Permits/Credentials Issued: 99,810

Population Served

In 2001, Minnesota's extensive transportation network carried in excess of 638 million tons of freight. The following is a breakdown of freight movement by mode:

- truck - 374 million tons (59%)
- rail - 208 million tons (33%)
- water - 53 million tons (8%)
- air – 900,000 tons (0.1%)

Minnesota's railroad, waterway, and highway systems provide important modes of transportation to move goods and people efficiently and economically in a crash-free manner. More specifically, the population served includes:

- brokers/forwarders
- chambers of commerce
- contractors
- farmers
- government agencies
- modal integrators
- motor carriers
- professional organizations
- railroads
- ship and barge operators
- shippers
- transportation associations
- transportation providers
- traveling public

Services Provided

⇒ **Rail and Port Programs:** Administer the Minnesota rail service improvement program, and port improvement program to revitalize rail and port facilities, and to support the state's freight movements.

⇒ **Oversize/Overweight Permits:** Issue single trip and annual permits authorizing the movement of oversize/overweight loads on the state highways and interstate transportation systems within Minnesota to protect the state's highway infrastructure, and to ensure the safety of the motoring public.

⇒ **Multimodal Investment and Program Delivery:** Construct grade crossing safety projects to enhance safety at public grade crossings in Minnesota.

⇒ **Infrastructure Improvement:** Develop and program highway and rail grading crossing safety projects and negotiate and enter into agreements with railroads when Minnesota Department of Transportation's (Mn/DOT's) highway construction projects affect them. This is done to enhance safety at highway/rail grade crossings, link rail facilities with the highway system, and encourage the use of rail as a transportation alternative.

⇒ **Freight Planning:** Develop cost-effective, multi-modal plans, to ensure that accurate, timely, and accessible information is used to support multimodal planning, investment, and policy decisions that ultimately lead to a safer and more efficient transportation system.

⇒ **Education:** Provide training, technical assistance, and educational outreach materials to commercial vehicle operators, shippers, and other industry groups on motor carrier safety regulations to improve transportation safety, efficiency, and productivity.

⇒ **Credentials:** Administer credentialing programs for intrastate and interstate motor carrier operations and shippers to ensure the authority to operate on Minnesota's roads is given only to insured carriers who meet the state's safety requirements.

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⇒ **Carrier Safety Evaluation:** Conduct reviews of regulated commercial transportation providers and shippers to ensure that they comply with safety and hazardous materials regulations.

⇒ **Administration Services:** Provide the office with management, administration, information technology services, and coordination with Minnesota and federal agencies. In addition, develop e-government services to reduce costs for both Mn/DOT and the private sector.

Historical Perspective

As the transportation industry has increased the integration of freight transportation across all modes, Mn/DOT has responded by consolidating its offices of Motor Carrier Services and Freight, Rail, and Waterways to create the Office of Freight and Commercial Vehicle Operations (OFCVO). The mission of OFCVO is to ensure the improvement of the state's transportation system, enhance the safety and security of its operations, and keep Minnesota competitive in a global economy. Functions within the office have been combined and new duties have been added, such as Minnesota's freight and weight enforcement planning. In addition, an increased focus has been placed on security issues.

Key Measures

⇒ **Railroad crossing crashes:** Reduce the number of railroad crossing crashes by 2% each year until 2023 (15 crashes). There were 69 crashes in 2003 (three-year average).

⇒ **Railroad crossing fatalities:** Reduce the number of railroad fatalities by 2% each year until 2023 (two fatalities). There were seven fatalities in 2003 (three-year average).

⇒ **Truck related fatalities:** Increase the safety and security of the transportation system and its users to reduce the number of truck related fatalities. A Comprehensive Highway Safety Plan is being developed to establish specific performance measures for truck related fatalities and crashes.

⇒ **Railroad crossings programmed for safety improvement:** Save lives at railroad highway grade crossings by programming 40 in FY 2005 and 24 in FY 2006.

⇒ **Minnesota-based intrastate passenger carriers safety scores:** Increase the level of safety performance of passenger carriers (special transportation service, limousine, motor carriers of passengers). Targets for passenger carriers with an acceptable safety rating are 75% in 2005 and 80% in 2006.

⇒ **Web-based electronic permit and credential transactions:** Increase the number of web-based permit and credential applications.

- FY 2003 – 10%
- FY 2004 – 22.5 %
- The target for FY 2005 and FY 2006 is 40%

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TRANSPORTATION DEPT
Program: MULTIMODAL SYSTEMS
Activity: FREIGHT

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	346	346	346	346	692
Subtotal - Forecast Base	346	346	346	346	692
Governor's Recommendations					
Compensation Adjustment		0	7	14	21
Total	**346**	**346**	**353**	**360**	**713**
Trunk Highway					
Current Appropriation	4,976	4,976	4,976	4,976	9,952
Technical Adjustments					
Approved Transfer Between Appr			(79)	(79)	(158)
Subtotal - Forecast Base	4,976	4,976	4,897	4,897	9,794
Governor's Recommendations					
Trunk Highway Fund Sales Tax Exemption		0	(14)	(16)	(30)
Compensation Adjustment		0	87	174	261
Total	**4,976**	**4,976**	**4,970**	**5,055**	**10,025**
Expenditures by Fund					
Direct Appropriations					
General	300	397	353	360	713
Trunk Highway	4,794	5,079	4,970	5,055	10,025
Statutory Appropriations					
Misc Special Revenue	1,136	7,402	2,821	2,821	5,642
Federal	6,924	10,443	8,969	8,969	17,938
Total	**13,154**	**23,321**	**17,113**	**17,205**	**34,318**
Expenditures by Category					
Total Compensation	5,558	5,969	6,165	6,259	12,424
Other Operating Expenses	1,258	3,158	1,414	1,412	2,826
Capital Outlay & Real Property	5,829	5,536	5,500	5,500	11,000
Local Assistance	0	2,009	2,009	2,009	4,018
Other Financial Transactions	509	6,649	2,025	2,025	4,050
Total	**13,154**	**23,321**	**17,113**	**17,205**	**34,318**
Full-Time Equivalents (FTE)	**76.0**	**75.6**	**75.6**	**75.6**	

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Program Description

This program involves all aspects of the road systems owned and operated by the Minnesota Department of Transportation (Mn/DOT). It covers the Trunk Highway System, as well as related assets, such as rest areas, trails, and park and ride facilities. The responsibilities include planning, design, purchasing right-of-way, construction, maintenance and operations of the road system, and all associated appurtenances such as, shoulders, drainage structures, bridges, signals, signs, lighting, and striping. Not only does it include the entire Trunk Highway System, it also includes managing the entire trunk highway right-of-way associated with the system. These responsibilities include managing leases, reconveying right-of-way, and identifying encroachments. Facilities, equipment and materials are necessary to support many of these activities. Other supporting activities include materials testing, technical training, and managing inventory centers across the state. Accommodation of bikes, pedestrians, and other modes are integrated into the highway planning process when appropriate.

Budget Activities

⇒ Infrastructure Investment and Planning
⇒ Infrastructure Operations and Maintenance
⇒ Electronic Communications

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	9	389	389	389	778
Technical Adjustments					
One-time Appropriations			(380)	(380)	(760)
Subtotal - Forecast Base	9	389	9	9	18
Total	**9**	**389**	**9**	**9**	**18**
Trunk Highway					
Current Appropriation	1,011,949	1,124,265	1,124,245	1,124,245	2,248,490
Technical Adjustments					
Approved Transfer Between Appr			400	400	800
February Forecast Adjustment		0	129	(329)	(200)
November Forecast Adjustment		0	(7,687)	(680)	(8,367)
One-time Appropriations			(129,750)	(129,750)	(259,500)
Subtotal - Forecast Base	1,011,949	1,124,265	987,337	993,886	1,981,223
Governor's Recommendations					
State Road Construction Realignment		0	(2,000)	(2,000)	(4,000)
Trunk Highway Funding and Bonding		0	101,260	12,876	114,136
State Road Construction Timing Change		0	(77,000)	77,000	0
Metro Radio System to 911 Fund		0	(1,160)	(1,160)	(2,320)
Trunk Highway Fund Sales Tax Exemption		0	(3,691)	(4,169)	(7,860)
Compensation Adjustment		0	5,451	11,029	16,480
Total	**1,011,949**	**1,124,265**	**1,010,197**	**1,087,462**	**2,097,659**
Expenditures by Fund					
Direct Appropriations					
General	2	409	9	9	18
Trunk Highway	1,010,200	1,176,686	1,010,197	1,087,462	2,097,659
Building	5,000	0	0	0	0
Statutory Appropriations					
Misc Special Revenue	8,265	20,286	11,916	12,016	23,932
Trunk Highway	16,829	56,432	50,214	50,214	100,428
Federal	5,580	8,688	6,707	5,793	12,500
Miscellaneous Agency	408	92	52	52	104
Total	**1,046,284**	**1,262,593**	**1,079,095**	**1,155,546**	**2,234,641**
Expenditures by Category					
Total Compensation	264,598	273,126	276,153	281,731	557,884
Other Operating Expenses	163,204	161,755	134,521	128,229	262,750
Capital Outlay & Real Property	605,259	755,637	614,761	673,761	1,288,522
Payments To Individuals	2	2	0	0	0
Local Assistance	1,173	7,504	1,267	1,267	2,534
Other Financial Transactions	6,309	64,564	52,388	70,553	122,941
Non-Cash Transactions	5,739	5	5	5	10
Total	**1,046,284**	**1,262,593**	**1,079,095**	**1,155,546**	**2,234,641**

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Activity					
Infrastructure Invest & Plng	821,688	1,025,462	845,638	920,406	1,766,044
Infrastructure Oper & Maint	210,488	229,357	227,555	229,162	456,717
Electronic Communications	14,108	7,774	5,902	5,978	11,880
Total	**1,046,284**	**1,262,593**	**1,079,095**	**1,155,546**	**2,234,641**
Full-Time Equivalents (FTE)	**3,982.3**	**3,955.4**	**3,956.5**	**3,956.5**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures, State Road Construction	(13,000)	(13,000)	(13,000)	(13,000)
Expenditures, other program/activities	13,000	13,000	13,000	13,000
Net Fiscal Impact	$0	$0	$0	$0

Recommendation
The Governor recommends transferring $13 million dollars per year from the State Road Construction appropriation to align transportation priorities with investments in Smooth Roads, Bridges, Traffic Management and Safety, Program Delivery, Electronic Communications, General Support and Workforce Management.

Background
The Minnesota Department of Transportation 2008-2009 biennial budget proposal funds priority products and services and provides the best transportation investments for the citizens of Minnesota given the resources available. Some priority products and services include constructing improvements to state highways, maintaining them in good driving condition and keeping them free of snow and ice.

Funding these priorities, however, has created a challenge to maintain levels of service in other key service areas. This transfer request will provide an additional $26 million for the biennium to several agency priorities that will result in lower life cycle costs of existing infrastructure and improved operations of the agency and the transportation system. Products and services that will be funded with this transfer are:

- ⇒ Smooth Roads – This request provides additional funds to increase agency efforts to provide an improved road surface, shoulders, and maintenance of drainage systems. In addition, it will provide minimal funding to meet increased federal environmental standards for drainage.
- ⇒ Bridges – This request provides an increase for bridge preventive maintenance which will result in significant reductions in the life cycle cost of bridge structures.
- ⇒ Traffic Management and Safety– Provides supplemental funding for maintenance of guardrail and cable median barriers plus additional funding to manage, improve, and maintain roadway signs, signals, markers, striping, messages, lights, guardrail, barriers, and signals.
- ⇒ Construction Project Management – This transfer provides additional funding for testing and inspection of materials used in construction projects and monitoring of contractor activities on construction sites.
- ⇒ Electronic Communication – This transfer provides funds to maintain current levels of support for legacy technology systems statewide and for the agency analog-to-digital microwave conversion.
- ⇒ Workforce Management – departmental human resources services relating to workforce planning, workforce development, and labor contract compliance and negotiations.
- ⇒ General Support and Services – increased appropriation to reflect higher anticipated lease charges from Department of Administration for repair of Central Office building exterior.

Relationship to Base Budget
This transfer is a relatively small change within the over $2 billion biennial appropriation from the trunk highway fund to the agency. This request does not change the spending total for the agency in the 2008/2009 biennium; it simply moves the spending authority from the state road construction budget activity to department operations.

Key Measures
Among the performance measures this transfer will impact are:

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- ⇒ Smooth Roads – Mn/DOT measures roughness of highway surfaces on the entire trunk highway system. Targets for these measures keeping the percentage of miles of roadway that are rated "poor" below certain levels. The target for principal arterials is less than 2% in poor condition.
- ⇒ Bridges – These funds will allow the agency to make progress toward the targets of 80% of crack seals in good condition, 88% of joint repairs in good condition, and 100% of bridges flushed annually.
- ⇒ Electronic Communications – The performance measure target for Mn/DOT electronic communication is to have maintenance and reliability services on time in order to keep the system fully operable 95% of the time. This transfer will fund a slight improvement in the 2006 rate of 67%.

Statutory Change: Not Applicable

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Activity Description

The Infrastructure Investment and Planning Budget Activity directs development and funding of the Minnesota Department of Transportation's (Mn/DOT's) road and bridge construction program, in accordance with the priorities and policies set out in Mn/DOT's performance based Statewide Transportation Plan. To support development of Mn/DOT's construction program and the statewide transportation improvement program, this activity sets performance goals and policy, develops long-range plans, evaluates transportation investments against specific performance measures and targets, and recommends alternatives for future action. In addition, it develops and manages a program of transportation research to improve the tools and methods by which transportation improvements are made and implemented.

Activity at a Glance

- 11,870 centerline trunk highway miles
- 29,100 lane miles of interstate and regular trunk highways
- 252,202 acres of right-of-way (including wetland and ponds)
- 71 rest areas
- 4,767 trunk highway bridges

Population Served

The Infrastructure Investment and Planning Budget Activity serves the federal and state governments, the legislature, local governments and entities, and the general public.

Services Provided

The Infrastructure Investment and Planning Budget Activity provides the following services:

⇒ **Statewide System Planning and Integration**
Performs short- and long-range planning and policymaking activities for transportation programs and investments. These include the Statewide Transportation Plan, State Transportation Improvement Program (STIP), Area Transportation Improvement Programs (ATIPs), corridor plans, district plans, bike and pathways planning, and other multi-modal planning. The activity also administers Mn/DOT's research program.

⇒ **State Roads Investment**
Manages the development and implementation of the state road construction program and the federal funding programs. This service includes fiscal management of payments to consultants and contractors for road and bridge construction, property owners for right-of-way acquisition, and consultants for research contracts. This service also includes financial tracking, regulation, and transportation program guidance and analysis.

⇒ **Construction Project Development**
Performs all of the activities that must be done before a construction project begins, including the six milestones of scoping, construction limits, environmental documentation, right-of-way acquisition, plan delivery, and letting.

⇒ **Construction Project Management**
Performs testing and inspection of materials used in construction projects, conducts field inspections to monitor construction projects, completes project documentation, and approves contractor payment requests.

⇒ **Highway Debt Service**
Provides for the repayment of trunk highway bond debt and debt related to local government advances.

Key Measures

⇒ Customer Ride Quality Index – Percent of pavement (Principal Arterial) miles rated "Good," "Fair," and "Poor." "Good" ratings went from 76.7% in FY 2002 to 63.6% in 2004 to 66.8% in FY06. Ongoing targets are for over 70% of roads to be rated as "Good".

Roads with "Poor" ratings rose from 1.5% in FY 2002 to 2.6% in FY 2004, remaining at 2.6% in FY 2006. The target level is for less than 2% of roads to be rated as "Poor."

⇒ Structural Condition of Bridges (Principal Arterials) – Percent of Principal Arterial Bridges that are rated "Good," "Fair," and "Poor" (by square foot area) on the National Bridge Inventory (NBI) scale. Bridge "Good" ratings were measured at 56.8% in 2001, 53.3% in 2002 and 51.8% in 2003. Bridge "Poor" ratings measured

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4.1% in 2001, 4.4% in 2002, 4.2% in 2003, and 3.9% in 2005. The long-term target is 2.0% in "Poor" condition.

⇒ Interregional Corridors (IRC) Travel Speed – Percent of miles meeting speed targets of 60 mph for High Priority Interregional Corridors (HPIRC) and 55 mph for Medium Priority Interregional Corridors (MPIRC). IRC Travel Speed performance was measured at 87% in FY 2004. The performance target is for 90% of IRCs to meeting speed targets.

⇒ Duration and Extent of Congestion – Average percent of Twin City urban freeway system congested (i.e. percent of miles that operate at average speeds below 45 mph for any length of time in AM or PM peak periods). In FY 2006, 21.4% of urban freeway system miles were congested, up from 20% in 2002 before the ramp meter shutdown.

⇒ Crash Locations and Fatalities – Number of High-Crash-Cost Trunk Highway (TH) locations improved per year, and number of fatalities on all roads per year. Between 2002 and 2005, an average of 42 High-Crash-Cost TH locations was improved each year. The target is to improve 40 or more High-Crash-Cost locations each year.

⇒ Construction Project Schedule – Percent of all Mn/DOT projects in the first year of the STIP let for construction in the fiscal year they are scheduled. In 2003, 84% of projects were let in the first year and in 2004, 83% of the projects were let. In 2005, 89% of the projects were let. The ongoing target is 90%.

Activity Funding

This area is generally funded by Trunk Highway Fund appropriations, but it has received some General Fund appropriations in the past as well as some trunk highway bonding authority, including $510 million in 2003.

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TRANSPORTATION DEPT
Program: STATE ROADS
Activity: INFRASTRUCTURE INVEST & PLNG

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Trunk Highway					
Current Appropriation	801,247	913,563	913,543	913,543	1,827,086
Technical Adjustments					
Approved Transfer Between Appr			(500)	(500)	(1,000)
February Forecast Adjustment		0	129	(329)	(200)
November Forecast Adjustment		0	(7,687)	(680)	(8,367)
One-time Appropriations			(129,750)	(129,750)	(259,500)
Subtotal - Forecast Base	801,247	913,563	775,735	782,284	1,558,019
Governor's Recommendations					
State Road Construction Realignment		0	(13,000)	(13,000)	(26,000)
Trunk Highway Funding and Bonding		0	101,260	12,876	114,136
State Road Construction Timing Change		0	(77,000)	77,000	0
Trunk Highway Fund Sales Tax Exemption		0	(903)	(1,021)	(1,924)
Compensation Adjustment		0	2,738	5,541	8,279
Total	**801,247**	**913,563**	**788,830**	**863,680**	**1,652,510**
Expenditures by Fund					
Direct Appropriations					
Trunk Highway	805,357	955,419	788,830	863,680	1,652,510
Statutory Appropriations					
Misc Special Revenue	4,085	12,783	6,401	6,401	12,802
Trunk Highway	9,815	49,219	44,648	44,648	89,296
Federal	2,402	7,949	5,707	5,625	11,332
Miscellaneous Agency	29	92	52	52	104
Total	**821,688**	**1,025,462**	**845,638**	**920,406**	**1,766,044**
Expenditures by Category					
Total Compensation	134,771	137,805	139,201	142,004	281,205
Other Operating Expenses	76,141	60,533	38,290	33,090	71,380
Capital Outlay & Real Property	599,981	755,051	614,487	673,487	1,287,974
Local Assistance	1,173	7,504	1,267	1,267	2,534
Other Financial Transactions	3,883	64,564	52,388	70,553	122,941
Non-Cash Transactions	5,739	5	5	5	10
Total	**821,688**	**1,025,462**	**845,638**	**920,406**	**1,766,044**
Full-Time Equivalents (FTE)	**1,889.3**	**1,881.5**	**1,882.6**	**1,882.6**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Transfer out	$100,000	$0	$0	$0
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	101,260	12,876	23,014	46,987
Transfer in	100,000	0	0	0
Net Fiscal Impact	$101,260	$12,876	$23,014	$46,987

Recommendation

The Governor recommends a total of $1.7 billion of trunk highway bond authorizations over a 10 year period beginning in 2008. This proposal would provide a needed infusion of funding to accelerate many highway construction projects that will preserve the value of existing highway investments and improve safety and mobility on the system throughout the state. Debt service on this proposal is estimated to cost $14.136 million in this biennium.

The Governor also proposes that $100 million be transferred from the General Fund in FY 2008 to the trunk highway fund to accelerate the completion of important highway projects throughout the state. Of this amount, $95 million is for state road construction and $5 million is for a pilot project to demonstrate technologies that will allow for the future replacement of the gas tax with a fuel-neutral mileage charge.

Background

Many badly needed highway preservation and expansion projects have languished on the drawing boards for too long. The combination of increasing vehicle volumes, aging infrastructure, and inflation in construction costs has dramatically increased the need for investment in the trunk highway system in Minnesota. The recent passage of the constitutional amendment to phase in a dedication of 100% of motor vehicle sales tax (MVST) revenues for transportation purposes provides additional revenue to fund highway construction.

Using bonds to accelerate the construction of these highway projects will provide benefits to Minnesota travelers much more quickly than would be possible if the additional MVST revenues were used for construction on a pay-as-you-go basis. In addition, it will avoid the corrosive effect of inflation on the purchasing power of this new transportation revenue source.

Although interest rates have risen modestly in the last few years, the rate of interest the state pays on general obligation debt is still below the inflation rate on construction costs experienced in the state in recent history.

The bond authorizations proposed under this proposal begin at $100 million in 2008, increase to $150 million for 2009 and 2010, then increase to $200 million for 2011 through 2015. In 2016 and 2017 authorizations go back to $150 million. The trunk highway fund has sufficient fiscal capacity to meet expected debt service requirements on this bond program under this proposal.

Relationship to Base Budget

Total appropriations from the trunk highway fund are expected be over $2.2 billion during the 2008-2009 biennium. The expected debt service payments under this proposal will total $14.136 million, or an increase in appropriation from the fund of around 0.6% for this biennium.

Key Measures

Key department measures include bridge condition, pavement quality, and congestion. The projects that will be constructed under this proposal will improve these measures considerably for the affected locations.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	(77,000)	77,000	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$(77,000)	$77,000	$0	$0

Recommendation
The Governor recommends that the appropriation level for state road construction be adjusted within the FY 2008-09 biennium to more accurately reflect the anticipated pattern of federal aid. The net effect over the biennium is zero.

Background
The state road construction program is managed each year to balance the expected sources and uses of state and federal funds for construction. The FY 2008 state road construction budget reflects a smaller amount of new project starts as a high proportion of federal funds is committed in that year to conversion of advance construction projects. The FY 2009 construction budget will be higher by a corresponding amount, reflecting increased project starts using federal advance construction, as well as higher projected federal revenues in that year.

Relationship to Base Budget
The base budget for state road construction is $551.2 million per year. Other change requests included in this budget also include adjustments to the state road construction budget, and are presented separately.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
TRLF transfer out	(4,600)	0	0	0
Trunk Highway Fund transfer in	4,600	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation
The Governor recommends that $4.6 million be transferred from the transportation revolving loan fund (TRLF) to the trunk highway fund.

Background
Current law (M.S. 161.04 Subd 3) allows the commissioner of transportation to transfer money from the trunk highway fund to the TRLF. Mn/DOT is proposing authority to also allow transfers from the TRLF to the trunk highway fund.

Relationship to Base Budget
Mn/DOT current base road construction budget is $551.2 million per year, reduced by $13 million per year by a separate change request in this budget proposal. This request is for a one-time transfer of $4.6 million back from the TRLF. Funds in the TRLF trunk highway revolving account, where this transfer would come from, can only be used for trunk highway projects. Thus, this transfer will have no effect on other users of the TRLF. Also, funds in the TRLF cannot be leveraged by sale of bonds as money in the trunk highway fund can be.

Key Measures
This money could be applied to projects and transportation services with the ability to advance many of Mn/DOT's specific measures in areas such as ride quality and congestion.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Transfer out	$(1,221)	$0	$0	$0
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	0	0	0	0
Transfer in	1,221	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation
The Governor recommends a transfer of $1.221 million from the general fund to the trunk highway fund for reimbursement related to the transfer of land from the State of Minnesota to the city of Mounds View.

Background
Legislation enacted in 2005 required Mn/DOT to transfer trunk highway right-of-way to the city of Mounds View for economic development. Specifically, Medtronic needed the site to construct a major new office complex. That construction is currently underway.

The legislation requiring the transfer of property also required the city to pay the trunk highway fund $1 million. However, the property was appraised at $3.47 million. The federal interest in the parcel was 64%, or $2.221 million. The Federal Highway Administration (FHWA) allowed the transfer of property to take place contingent upon $2.221 million being deposited into the trunk highway fund. As of today, only the $1 million from the city of Mounds View has been deposited.

Statutory Change: Not Applicable

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Activity Description

The Infrastructure Operations and Maintenance budget activity provides the personnel, equipment, and materials necessary to maintain, operate, and preserve the state's Trunk Highway and Interstate Highway System on a daily basis including roadways, bridges, roadsides, safety appurtenances, traffic control, and management devices and the equipment and buildings associated with those tasks.

Activity at a Glance

- 11,870 centerline trunk highway miles
- 29,100 lane miles of interstate and regular trunk highways
- 253,827 acres of right-of-way (including wetland and ponds)
- 1,012 buildings (including truck stations, traffic management centers, and rest areas)
- 4,770 adopt a highway groups
- 4,976 miles of bikeways on paved shoulders
- 2,582 Traffic Management Systems (signals, ramp meters, Changeable Message Sign (CMS), Close Circuit Television (CCTV), road access control gates, road weather information systems (RWIS), weigh in motion sensors (WIM), automatic traffic count recorders (ATR)
- 27,000 trunk highway lighting fixtures
- 4,767 trunk highway bridges

Population Served

Any customer that travels on the state Trunk Highway or Interstate System or relies upon the highway system to deliver goods and services is the population served in this budget activity. The Minnesota Department of Transportation (Mn/DOT) has identified the following primary customer groups/segments. These segments are:

⇒ Commuters: Bus riders, carpoolers, Single-Occupancy Vehicles (SOV) – those traveling for the purpose of work.

⇒ Personal Travelers: Bus riders, pedestrians, SOVs, etc. – those traveling for non-work purposes including trips for shopping, entertainment, medical appointments, and vacations.

⇒ Carriers: Those carrying goods throughout the state, including truckers, pilots, barge operators, and railroads.

⇒ Shippers: Those making decisions about which mode to use for the shipment of their company's goods within or through our state, including shipments via barge/air/rail/truck and combinations thereof.

⇒ Farmers: Those with farming as their primary occupation. They often interface with Mn/DOT as adjacent landowners, shippers, and carriers.

⇒ Emergency Vehicle Operators: Emergency personnel using our transportation system in an emergency capacity, including: the Minnesota State Patrol, ambulance, fire, county sheriffs, police, and tow trucks.

⇒ Communities and Neighborhoods, including groups and individuals that gather for "issue-specific" purposes, such as transportation-related issues in their neighborhood, or environmental groups such as the Sierra Club.

Services Provided

The Infrastructure Operations and Maintenance activity includes a broad group of services necessary to operate and maintain the Trunk Highway and Interstate System to provide a safe, smooth trip with a reliable travel time. The service categories and product descriptions are:

⇒ ***Smooth Roads:*** This product and/or service provides paving, drainage repair, shoulder repair, and surface repair to ensure a smooth ride. Roads are measured for surface rideability annually so that customers receive the best ride possible.

⇒ ***Clear Roads:*** This product and/or service provides for clearing roadways of snow and ice and removal of debris. Targets have been established based on customer expectations for removal of snow and ice for all roadway types based on volumes (i.e. the supercommuter system target is to have the highway lanes bare one to three hours after a snowfall has ceased).

⇒ ***Traffic Management:*** This product and/or service provides signing and lighting of roadways, striping and message painting, installing and repairing guardrails, operating the Traffic Management Centers, operating and repairing traffic signals and devices, and traveler information via updates on radio, changeable message signs, internet, and telephones.

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⇒ ***Roadsides:*** This product and/or service provides the planting, spraying, mowing, noxious weed control (legally mandated), litter pickup (adopt a highway), brush and tree removal, rest area maintenance, and property management.

⇒ ***Bridges:*** This product and/or service provide annual bridge inspections, necessary and emergency bridge repairs, and normal maintenance required to keep structures safe and in service.

⇒ ***Regulation:*** This product and/or service issues permits, controls work by contractors on the right-of-way and identifies safe routes for trucking with wide or overweight loads.

⇒ ***Fleet/Facility Management and Inventory Control:*** This product and/or service acquires, maintains, and leases the vehicles and equipment to deliver multiple products and services as well as provides capital, planning, programming, design, construction, building operations, and maintenance services for state-owned buildings and facilities under Mn/DOT's jurisdiction, including rest areas. It also includes purchasing, warehousing materials, receiving, handling and issuing materials, record keeping, and hazardous waste coordination.

Historical Perspective

The state's Trunk Highway and Interstate Highway System, which has taken decades to develop, represents an investment by the people of Minnesota with a replacement cost of more than $50 billion. The extensive work performed in the tasks included in Infrastructure Operations and Maintenance reflects Mn/DOT's commitment to maintain and preserve the system for the benefit of the state. Minnesota's economic growth has resulted in increased travel and goods shipments. Concentrations of employment and economic activity in the Twin Cities metropolitan area have increased vehicle miles driven and congestion on metro area roadways. Rising incomes have increased disposable income and the number of vehicles, thereby increasing vehicle miles of travel. Traffic fatality rates per vehicle mile traveled have declined for decades. Very recently, the number of roadway fatalities has also been declining. The percentage of Minnesota households with three or more vehicles has increased. The percentage of Minnesotans who drive a long distance to work has increased. Truck travel is increasing, with the rate of growth greatest for small shipments.

Minnesotans' public satisfaction with overall road maintenance fell below target the last three years. Evaluation of market research indicates that road smoothness is the leading factor bringing down the overall satisfaction. "Pothole repair" was the most frequently mentioned factor behind customers' rating. Pavement Ride Quality and Remaining Service Life has been on a three-year decline and Pavement Public Satisfaction for Ride Quality has been below target every year.

Key Measures

Mn/DOT has identified key measures that provide overall performance indicators for the Infrastructure Operations and Maintenance budget activity.

Safety

	Year	Target	Actual
Crash Rate and High Crash Locations:	FY2006	1.5%	1.10
This measure looks at the Trunk Highway crashes per	FY2005	annual	1.18
million Vehicle Miles Traveled (VMT) (three-year average).	FY2003	reduction	1.23
Improve High-Crash cost Trunk Highway locations:	FY2008		14 to 16 (current funding)
number improved each year	FY2007	40	43 (scheduled)
	FY2006		31

Mn/DOT led the development of a Minnesota Comprehensive Highway Safety Plan (CHSP) in partnership with the Department of Public Safety, counties, cities, law enforcement agencies, and other safety stakeholders. CHSP's primary goal is to reduce fatal and life changing crashes. This plan complements efforts of the Federal Highway Administration (FHWA) in setting a goal of reducing fatal crash rates in the U.S. from 1.5 fatalities per hundred million vehicle miles (HMVM) in CY 2002 to 1.0 fatalities/HMVM in CY 2008.

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Mn/DOT attributes the recent reduction in roadway fatalities to the success of key initiatives such as a reduction in speed differentials from speed limit changes combined with Operation HEAT law enforcement, Operation NightCAP concentrated alcohol patrols combined with 0.08% blood alcohol content statutes, Freeway Incident Response Safety Team expansion, Towards Zero Deaths initiatives, training and driver education, improved pavement markings, improved sign materials, and construction project completion of additional lane miles with more capacity and the newest safer design specifications.

	Year	Target	Actual
Fatalities – all state and local roads:	CY2006		Down 5% July YTD
Interim goal of Comprehensive Highway Safety Plan (CHSP)	CY2005	500 fatalities	559 fatalities
	CY2004	(CY2008)	567 fatalities
	CY2003		657 fatalities
Interim goal of Comprehensive Highway Safety Plan	CY2008	0.8 rate	
(CHSP) fatalities per hundred million vehicle miles	CY2005		1.0 rate
	CY2003		1.2 rate

Smooth Roads	Year	Target	Actual
Customer Ride Quality: This measure is the percentage of pavement miles with a Ride Quality Index (RQI) in the Good and Poor categories.			
Principal Arterial/Interregional Corridors (IRC)	FY2006		66.8% Good 2.6% Poor
	FY2005	>70% Good <2% Poor	63.4% Good 2.7% Poor
	FY2002		76.7% Good 1.5% Poor

Physical Condition of Pavement: This measure is the average of Remaining Service Life (RSL), the point at which pavements generally need some type of major rehabilitation.

	Year	Target	Actual
Principal Arterial/IRC miles with ***12 years or more*** of RSL	FY2006		43.4% 12 yrs
Principal Arterial/IRC miles with ***3 years or less*** of RSL		>50% 12 yrs	22.8% 3 yrs
	FY2002	<10% 3 yrs	60.9% 12 yrs 10.6% 3 yrs

Clear Roads and Traffic Management

⇒ ***Snow and Ice Removal: Hours to Bare Lane:*** This measure provides guidance to snow fighters on meeting customer expectations for snow and ice removal. "Hours to bare lanes" is the time measured from the end of a snow event to when the lanes are bare of ice and snow. There are different targets (goals) established for the different highway classifications based on traffic volume. The targets are: Supercommuter 1 to 3 hours, Urban Commuter 2 to 5 hours, Rural Commuter 4 to 9 hours, Primary Collector 6 to 12 hours, and Secondary Collector 9 to 36 hours. The hours of overtime compensation, tons of chemical and pieces of equipment used are based on the assumption that targets will be met. Consequently, the resources spent to meet targets vary by the severity of the winter. The winter of FY 2006 was for the most part considered a normal winter. However, although this winter was considered normal, substantial dollars were redirected from non-snow and ice removal activities to meet targets. This was caused by a disproportionate inflationary impact to key snow and ice resources such as salt, steel, and fuel. The FY 2006 "hours to bare lanes" measured by an average of all highway classifications was 7.2 hours.

⇒ ***Pavement Markings and Signing:*** This measure provides for managing the retro reflectivity of signs and pavement markings on and along Trunk Highways and Interstate Highways. These measures were changed in FY 2003. The goal for pavement markings is to have a 365-day/night visible stripe/marking on the roadway to guide motorists and other highway users. The target is to have 95% of pavement markings meet technical requirements. In FY 2006, 95.6% of the pavement lines met these requirements. Beginning in FY 2006, more durable markings will need to be replaced which will increase the initial cost to meet target. The goal for sign replacement is 12 to 15 years, depending on the type of sheeting used and the sign purpose (i.e.

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regulatory, informational, or directional). The target to meet this goal is to replace 8% of all signs annually. In FY 2005 7.2% and in FY 2006 5% of the signs were replaced. The goal for sign readability is a public satisfaction omnibus survey rating of seven or higher on a ten point scale. The measured public satisfaction rating for sign readability has remained at approximately 8.0 since FY 2002.

⇒ ***Incident Clearance Time:*** Traffic incidents can cause up to 50% of congestion on Twin Cities metro area freeway system. The incident clearance time is measured on the system between 6:00 am and 7:00 pm on weekdays. The target is clear incidents within 35 minutes. In FY 2006, the average clearance time was 38.8 minutes. This is the fifth year in a row the target has not been met and Mn/DOT continues to meet with strategic partner, the Mn/DPS State Highway Patrol, to analyze the data carefully and find ways to improve this measure with investments in resources such as a new records management system (RMS), for further automating crash incident data entry from emergency vehicles.

⇒ ***Duration and Extent of Congestion:*** Average percent of Twin Cities' urban freeway system congested (i.e. percent of miles that operate at average speeds below 45 mph for any length of time in AM or PM peak periods). In FY 2006, 21.4% of urban freeway system miles were congested, compared to 21.6% in FY 2005, 22.9% in FY 2004 and 19.9% in FY 2003.

Bridges

⇒ ***Structural Condition of Bridges (PA):*** This measures the percent of all bridges meeting a good and poor target (Principal Arterials & IRCs by square foot areas). Mn/DOT's 20-year goal is to improve the structural condition of bridges so that 55% or greater are in good condition and 2% or less are in poor condition. Additionally, the target for combined fair and poor is 16% or less. In FY 2006 53.3%% were good and 11.3% were fair or poor. The good condition bridges have been on a decline since the 57.2% measurement in FY 2000; however, those rated only fair or poor have been reduced from the 12.8% level measured in FY 2000. Infrastructure Operations and Maintenance supports this measure by providing inspection procedures that determine the structural condition of bridges, performing crack sealing, performing poured joint repairs, routing, performing emergency maintenance on bridge structures, and making suggestions for improvements to bridge designs that increase the longevity and safety of bridges. With preventative maintenance, good and satisfactory conditions can be prolonged.

Activity Funding

This activity is funded by direct appropriation from the Trunk Highway Fund.

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TRANSPORTATION DEPT
Program: STATE ROADS
Activity: INFRASTRUCTURE OPER & MAINT

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Trunk Highway					
Current Appropriation	204,746	204,746	204,746	204,746	409,492
Technical Adjustments					
Approved Transfer Between Appr			925	925	1,850
Subtotal - Forecast Base	204,746	204,746	205,671	205,671	411,342
Governor's Recommendations					
State Road Construction Realignment		0	10,750	10,750	21,500
Trunk Highway Fund Sales Tax Exemption		0	(2,723)	(3,074)	(5,797)
Compensation Adjustment		0	2,626	5,316	7,942
Total	**204,746**	**204,746**	**216,324**	**218,663**	**434,987**
Expenditures by Fund					
Direct Appropriations					
Trunk Highway	199,143	214,801	216,324	218,663	434,987
Statutory Appropriations					
Misc Special Revenue	3,913	7,152	5,165	5,265	10,430
Trunk Highway	6,907	6,672	5,066	5,066	10,132
Federal	146	732	1,000	168	1,168
Miscellaneous Agency	379	0	0	0	0
Total	**210,488**	**229,357**	**227,555**	**229,162**	**456,717**
Expenditures by Category					
Total Compensation	125,325	131,006	133,710	136,400	270,110
Other Operating Expenses	82,486	97,763	93,571	92,488	186,059
Capital Outlay & Real Property	249	586	274	274	548
Payments To Individuals	2	2	0	0	0
Other Financial Transactions	2,426	0	0	0	0
Total	**210,488**	**229,357**	**227,555**	**229,162**	**456,717**
Full-Time Equivalents (FTE)	**2,030.9**	**2,011.8**	**2,011.8**	**2,011.8**	

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Activity Description

This activity provides expertise in electronic communication and traffic management technologies by addressing specialized transportation and public safety communications needs of state and local agencies:

⇒ Provide policy development, planning, engineering, budget preparation, project management, equipment installation, integration, and system maintenance.

⇒ Supply telecommunications services and electronic systems to customers by designing and maintaining local, regional, and statewide communications networks, freeway management systems, mobile fleet radios, base station equipment and other voice and data systems.

⇒ Oversee the development, procurement, installation, acceptance and ongoing operation and maintenance of the Allied Radio Matrix for Response (ARMER) public safety radio system.

⇒ Oversee the design, procurement, installation, acceptance and ongoing maintenance of the Twin Cities metro area Freeway Management System (FMS) fiber optic network, camera systems, detection devices, and variable message signs, including the MnPASS dynamic pricing toll system equipment.

⇒ Support agencies through service contracts, which reimburse the Trunk Highway Fund.

Population Served

The Mn/DOT Traffic Management System serves all users of the Twin Cities metro freeway system. Through the use of loop detectors, ramp meters, variable message signs, closed circuit television cameras and lane control signals the FMS is an integral tool in improving the safety and efficiency of the Twin Cities freeway network.

Activity at a Glance

Communications Infrastructure Maintenance :

- 1,898 mobile repairs
- 430 base repairs
- 309 camera repairs
- 762 loop detector repairs
- 1,451 preventative maintenance inspections
- 461 tower/building sites maintained

Electric Equipment Repair:

- Serve Mn/DOT, DPS, DNR electronic equipment repairs – MnPASS, Transportation Operations and Communications Centers (TOCC's), Road Weather Information System (RWIS) system, cameras, variable message signs (VMS), ITS devices, weight scales, gate controls, and mobile data computers

Communications System Upgrades:

- 624 mobile installations
- 205 base installs
- 28 camera installs
- six changeable message sign installs
- 26 miles of fiber-optic cable installed

System Planning/Integration:

- 73 network-related and site development radio engineering projects in process
- 22 FMS-related design and integration projects in process

Inventory Control:

- Supplies to 16 repair facilities statewide

Many agencies of state government have large mobile workforces that rely on mobile communications in the performance of their daily operations. Mn/DOT has the largest single fleet within state government. Currently Mn/DOT has more than 4,500 employees, many with technical backgrounds in a variety of fields. Of those employees, more than 3,000 use mobile radio communications. Mn/DOT employees have high expectations of technology to meet their ongoing business needs. Since Mn/DOT operations can extend around the clock, communications systems must provide reliable service 24 hours per day, seven days a week.

In addition to Mn/DOT, the Office of Electronic Communications (OEC) serves the Department of Public Safety (DPS), the Department of Natural Resources (DNR) and other state and local agencies upon request. OEC is reimbursed for cost of services provided to other agencies. Approximately 32% of this activity is billed for reimbursement. In addition to state agencies, OEC indirectly serves 25,000 public safety professionals within the nine-county Twin Cities metropolitan area through its maintenance of the regional public safety radio system backbone.

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Services Provided

Electronic Communications Investment and Planning:
This service provides specialized technical, engineering, and maintenance expertise in wireless communications systems, electronic technologies, and Intelligent Transportation Systems (ITS). OEC manages the wireless communications, electronic systems, and fiber optic networks used by state government in its delivery of public safety services, management of resources, and performance of daily operations. The activity provides overall electrical engineering technical direction for the strategic and tactical planning of state government's voice and data telecommunications systems involving public safety radio and freeway management system operations. OEC also provides electronic and communications system engineering expertise for various Mn/DOT office and district projects including ITS. It acts as public safety frequency advisor for the state of Minnesota, which is responsible for radio spectrum allocation for virtually all city and county governments in the state. The office also provides customer training and guidance in development and implementation of user operational procedures.

Electronic Communications Management:
This service provides for the ongoing maintenance and repair of the communications and electronic equipment used in the daily operations and emergency response activities of state agencies. The activities associated with this service include installation, repair, replacement, minor system upgrades, and ongoing maintenance. The service provides for the maintenance of the facilities (towers, shelters, generators, masts, cabinets) needed to support the state's wireless and FMS telecommunications infrastructure. It also provides the maintenance for electronic equipment, systems and technology such as MnPASS, road weather systems, traffic weight scale electronics, variable message signs, etc. The service includes ownership and parts and electronics inventory responsibilities for these systems and Mn/DOT's two-way radio fleet. This service also provides emergency technical on call response for public safety electronic communications systems.

Electronic Communications Administration:
This service provides for the administrative support needed to deliver the products and services of the OEC. The administrative support services include fiscal operations, human resources management, accounts receivable, and clerical support. It also provides leasing coordination, processing, and tracking for Mn/DOT and other OEC customers to obtain and manage communications tower sites. Inventory control center operations are also provided to assure that parts and equipment are supplied when needed to effectively execute the maintenance, repair, and installation activities of the office. This centralized inventory control center serves the field radio repair shops located throughout the state.

Historical Perspective

There are 7,000 - 9,000 freeway crashes per year in the Twin Cities metro area. Incidents cause about 50% of congestion. Congestion costs metro area motorists $1 billion per year. Traffic volumes increase by 4% per year. Traffic management and emergency response activities are primary tools used to mitigate congestion, improve traffic operations and improve safety of the traveling public. OEC is responsible for the design, integration, operations, and maintenance of many of the technologies used in the FMS and public safety communications area.

Many of the services that OEC customer agencies provide directly to the public rely on communications or electronic technologies. Because of the specialized public-safety/public-service nature of these operations, and due to the need for fleet dispatching over wide geographic areas, these agencies operate in the private land mobile radio service. The Federal Communications Commission has designated separate frequency assignments to meet the needs of public safety and government service operations. Mn/DOT currently operates its own radio communication system in greater Minnesota and operates on the ARMER system in the Twin Cities metro area. Other state agencies such as the DPS and the DNR also operate their own independent radio systems in greater Minnesota. These out-state radio systems were designed and implemented in the 1970s. While mobile and base equipment is upgraded on a scheduled replacement cycle, the overall technology (wideband analog) is not compatible with proposed FCC changes. The state will have to consider replacing existing systems with independent digital narrowband systems, or continuing the implementation of the ARMER shared public safety radio system. At the county and municipal levels this redundancy in radio systems and the need to replace aging

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equipment also exists. Mn/DOT OEC is a lead partner with DPS on the development of the ARMER system and has been directed by the legislature to own, operate, and maintain the ARMER system backbone.

Key Measures

There are two measures that provide overall performance indicators for the electronic communications activity. Each of these global measures has several contributing factors, which are considered sub-measures. The two indicators are statewide system coverage and system wide reliability and maintenance.

⇒ **Statewide Electronics Communications System Coverage:** System coverage is the most visible measurement of system performance. All other measurements contribute in some way to maintain, or enhance this measurement. Standards for modern public safety systems recommend a coverage standard of 95% for radio systems. All five systems maintained by Mn/DOT have a coverage target of 95%. The State Patrol and DNR Very High Frequency (VHF) systems measure *portable* radio coverage and are currently providing 82% and 69% coverage respectively. The Mn/DOT radio system measures *mobile* coverage and is currently at 87% The Mobile Data Computer (MDC) system provides 81% coverage statewide. The 800 MHZ Trunked system provides 95% portable coverage throughout the seven-county Twin Cities metro area.

⇒ **Systemwide Electronics Communications Reliability/Maintenance:** The percent of time that any given system is fully operational along with the lead time needed to bring failed systems back into operation make up the system reliability. This measurement is comprised of three factors: equipment repair, equipment replacement, and preventative maintenance. A target rating for Reliability/Maintenance is eight on a ten-point scale; the actual rating for FY 2005 was 5.6.

Activity Funding

This activity is funded by direct appropriation from the Trunk Highway Fund, as well as reimbursements for cost of services provided to other agencies.

Mn/DOT customers' equipment is getting more compact in size, and the number of features they demand is increasing. This has increased the cost of new equipment and the complexity and cost of repairing and maintaining it. To maximize funding resources the department is sharing and exchanging tower facilities to minimize the cost of new construction. Financial resources affect Mn/DOT's ability to provide new electronic systems, upgrades of existing systems, requested expansion of current systems, replacement of aging or inefficient communications equipment. The performance of the communications systems affects the efficiency, effectiveness, and safety of Mn/DOT and its partner agencies.

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TRANSPORTATION DEPT
Program: STATE ROADS
Activity: ELECTRONIC COMMUNICATIONS

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	9	389	389	389	778
Technical Adjustments					
One-time Appropriations			(380)	(380)	(760)
Subtotal - Forecast Base	9	389	9	9	18
Total	**9**	**389**	**9**	**9**	**18**
Trunk Highway					
Current Appropriation	5,956	5,956	5,956	5,956	11,912
Technical Adjustments					
Approved Transfer Between Appr			(25)	(25)	(50)
Subtotal - Forecast Base	5,956	5,956	5,931	5,931	11,862
Governor's Recommendations					
State Road Construction Realignment		0	250	250	500
Metro Radio System to 911 Fund		0	(1,160)	(1,160)	(2,320)
Trunk Highway Fund Sales Tax Exemption		0	(65)	(74)	(139)
Compensation Adjustment		0	87	172	259
Total	**5,956**	**5,956**	**5,043**	**5,119**	**10,162**
Expenditures by Fund					
Direct Appropriations					
General	2	409	9	9	18
Trunk Highway	5,700	6,466	5,043	5,119	10,162
Building	5,000	0	0	0	0
Statutory Appropriations					
Misc Special Revenue	267	351	350	350	700
Trunk Highway	107	541	500	500	1,000
Federal	3,032	7	0	0	0
Total	**14,108**	**7,774**	**5,902**	**5,978**	**11,880**
Expenditures by Category					
Total Compensation	4,502	4,315	3,242	3,327	6,569
Other Operating Expenses	4,577	3,459	2,660	2,651	5,311
Capital Outlay & Real Property	5,029	0	0	0	0
Total	**14,108**	**7,774**	**5,902**	**5,978**	**11,880**
Full-Time Equivalents (FTE)	**62.1**	**62.1**	**62.1**	**62.1**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures—Trunk Highway Fund	(1,160)	(1,160)	(1,160)	(1,160)
Expenditures—911 Fund	[1,160]	[1,160]	[1,160]	[1,160]
Expenditures—911 Fund	[1,950]	[1,950]	[3,900]	[3,900]
Net Fiscal Impact	$(1,160)	(1,160)	(1,160)	(1,160)

Recommendation

The Governor recommends that funding for maintaining the state backbone of the shared interoperable radio system in the metropolitan area be changed from the trunk highway fund to the 911 Fund.

The Governor also recommends additional funding of $1.95 million per year from the 911 Fund for operating the state backbone in Phase 3 of the shared interoperable radio system, and also recommends an additional increase of $1.95 million per year in FY 2010-11 to reflect operating costs of an additional phase of the system beginning in FY 2010. The appropriations to Mn/DOT from the 911 Fund will be included in the Governor's public safety proposals for the Department of Public Safety.

Background

The communication systems used by state and local government are going through a time of transition. They are migrating from stand alone single agency conventional systems, to shared multi-agency networked systems. They are also migrating from 30-year-old analog technology to current digital, software-driven technology. Mn/DOT, by statute and through agreements, has responsibility to own, operate, and maintain the various two-way radio systems used by agencies of the State of Minnesota including the Metro Regional 800 MHz radio communications backbone. The Office of Electronic Communications (OEC) works closely with the Department of Public Safety, the Statewide Radio Board, subsystem owners and all state agencies to make modifications, additions and repairs to the various systems.

Mn/DOT has taken on significant additional ownership and maintenance responsibilities for these multi agency shared systems. This proposal reduces spending from the trunk highway fund for operating the backbone in the metropolitan area and replaces it with an appropriation from the 911 special revenue fund to cover the ongoing operations and maintenance cost incurred by Mn/DOT. Agencies using the statewide services of this activity are the Departments of Transportation, Natural Resources, Public Safety, Administration, Agriculture, Corrections and Health; also State universities, hospitals and the Metropolitan Council Transit Operations. The Metro Regional 800MHz system serves State agencies and local government agencies in the nine county metro area (seven counties plus Isanti and Chisago).

The Governor's public safety proposals include an initiative to complete the statewide interoperable radio system. Phase 3 is already under construction and operating funds for Mn/DOT are included in FY 2008-09 in the recommendation. An additional phase is assumed to be operational in FY 2010 and the recommendation adds operating funds in those years for one more phase. See the Department of Public Safety budget documents for more information on this proposal.

Relationship to Base Budget

The OEC base budget is used for ongoing maintenance and operation of existing traffic management system and public safety radio communications infrastructure. The base budget does not fund significant equipment change-outs or upgrades and has been incrementally supplemented over time to keep pace with the added roles and responsibilities Mn/DOT has accepted as owner-operator of the statewide public safety radio system. This change initiative is a permanent adjustment to transfer a portion of OEC base budget from the Trunk Highway Fund to the 911 Fund.

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Key Measures

The Office of Electronic Communications uses two measures that provide overall performance indicators for the electronic communications activity – *Electronic Communications Coverage* and *Electronic Communications Reliability/Maintenance*.

This transfer of funding source for operations and maintenance should not have an impact (either positive or negative) on the performance measures of this activity.

Statutory Change: Not Applicable

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Program Description

The purpose of the Local Roads Program is to supervise the distribution of county and municipal state aid highway funds and federal aid funds to counties and cities, and to provide direction and assistance to the counties and cities in the use of these monies for the construction and maintenance of local roads and bridges on their transportation network. The Local Roads Program also includes minor funding for other transportation systems, including townships, and support and oversight activities for the local bridge replacement program.

Budget Activities

⇒ County State Aid Roads
⇒ Municipal State Aid Roads

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Municipal State Aid Street					
Current Appropriation	117,127	120,841	120,841	120,841	241,682
Technical Adjustments					
End-of-session Estimate			(5,469)	(1,340)	(6,809)
Subtotal - Forecast Base	117,127	120,841	115,372	119,501	234,873
Governor's Recommendations					
Dedication of Vehicle Leasing Sales Tax		0	1,488	1,780	3,268
Total	**117,127**	**120,841**	**116,860**	**121,281**	**238,141**
County State Aid Highway					
Current Appropriation	427,056	453,948	453,948	453,948	907,896
Technical Adjustments					
End-of-session Estimate			(26,646)	(11,373)	(38,019)
Subtotal - Forecast Base	427,056	453,948	427,302	442,575	869,877
Governor's Recommendations					
Dedication of Vehicle Leasing Sales Tax		0	5,664	6,777	12,441
Total	**427,056**	**453,948**	**432,966**	**449,352**	**882,318**
Expenditures by Fund					
Direct Appropriations					
Municipal State Aid Street	117,051	120,841	116,860	121,281	238,141
County State Aid Highway	416,038	445,088	432,966	449,352	882,318
Statutory Appropriations					
Misc Special Revenue	0	244	725	725	1,450
Municipal State Aid Street	2,402	2,633	2,355	2,439	4,794
County State Aid Highway	8,849	12,482	12,665	13,117	25,782
Federal	90,904	100,000	100,000	100,000	200,000
Total	**635,244**	**681,288**	**665,571**	**686,914**	**1,352,485**
Expenditures by Category					
Total Compensation	5,215	5,344	5,014	5,014	10,028
Other Operating Expenses	6,124	10,015	10,131	10,667	20,798
Capital Outlay & Real Property	2,836	15,000	10,000	10,000	20,000
Local Assistance	621,126	650,929	640,426	661,233	1,301,659
Non-Cash Transactions	(57)	0	0	0	0
Total	**635,244**	**681,288**	**665,571**	**686,914**	**1,352,485**
Expenditures by Activity					
County State Aid Roads	515,791	557,814	546,356	563,194	1,109,550
Municipal State Aid Roads	119,453	123,474	119,215	123,720	242,935
Total	**635,244**	**681,288**	**665,571**	**686,914**	**1,352,485**
Full-Time Equivalents (FTE)	**60.9**	**60.8**	**60.8**	**60.8**	

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Activity Description

The County State Aid activity primarily deals with the 29% of the Highway User Tax Distribution Fund (HUTDF) that is allocated to counties. These funds are apportioned to the individual counties according to a formula prescribed in law, and by the commissioner of Transportation with the advice of a screening board consisting of county engineers. These dollars are apportioned to the counties for both maintenance and construction activities on the 30,401 miles of county state aid highways. Dollars spent in rural areas generally improve safety and the structural capacity of the roads to move goods, while the dollars spent in the metro area are often for safety and capacity improvements. Counties select construction projects and perform maintenance activities within their jurisdictions. The State Aid for Local Transportation (SALT) Division reviews and approves individual construction plans for compliance with standards and rules.

Activity at a Glance

- Supervise the distribution of funds to the 87 counties for their use in building and maintaining the CSAH system
- Authorize grants for bridge construction.
- Provide technical assistance in areas of design, construction, and maintenance
- Promulgate rules and procedures for management of the State Aid system
- Administer grants and loans for Local Road Improvement Program

The County State Aid Highways (CSAH) system is continuing to age and the miles of highway in good condition decreased by over 400 miles during the past biennium.

Population Served

The SALT Division provides program support and project delivery services to 87 counties, and also to townships and other governmental agencies with state-aid or federal-aid projects.

Services Provided

County State Aid Administration Services support the county state-aid program, including the needs study; information resources; such as access to accident records; payment services; technical and financial advice, oversight, coordination and representation. It provides counties with guidance in establishing or modifying a state aid system that moves people and goods. Support and oversight activities for the local bridge replacement program are included in this activity.

County State Aid Investment Services pertain to the county's construction, maintenance and project delivery costs. It also includes the SALT Division's project specific activities and the research program. The SALT Division is responsible for the design, construction, and maintenance of the CSAH system. The SALT Division approves construction plans and project funding requests to ensure consistency with the rules for State Aid Operation.

The bridge replacement program provides matching funds for federal bridge replacement projects, townships that rely on this source of funding to supplement their budgets, and for other local bridge replacement funding needs.

Federal Local Aid Services are activities resulting from the federal transportation act funds that are available to cities, counties, and other agencies for road and bridge construction and transportation enhancement projects. In addition to doing all the project specific activities as they do for state aid projects, the SALT Division acts as agent for the local authorities in the administration of their federal construction contracts and also fulfills the state's obligations for federal oversight of all local federal aid projects. SALT Division assists agencies in fulfilling the requirements for federal aid requirement such as public involvement, and in developing documentation to comply with environmental and historical requirements.

The Local Roads program also receives funding for some other accounts that have been included in the county state aid activity. The state park road account funds projects selected by the Department of Natural Resources (DNR) to provide access to state parks and recreational areas. The town road account is distributed to township governments for the maintenance of township roads, and the town bridge account is allotted to the counties for their use in replacing deficient township bridges.

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Historical Perspective

The SALT Division assists the counties in using their dollars on the priority projects in their areas, but there is increasing pressure to use the available dollars on preservation-type projects rather than long-term system improvements because of the compelling need to preserve what exists.

Key Measures

The products and services provided by the SALT Division are monitored through performance measures based upon customer satisfaction and also through direct measures of level of service provided in key areas.

Age of System

⇒ Currently about 22% of the system mileage is considered to be in good condition (less than 25 years since the roadway was last graded).

⇒ Currently about 53% of the system mileage is considered to be in fair condition (more than 25 years, but less than 50 years since the roadway was last graded).

⇒ Currently about 25% of the system mileage is considered to be in poor condition (more than 50 years since the roadway was last graded).

The need of our customers includes a desire for a smooth, uninterrupted trip, with no delays from road surface conditions. This expectation implies that the system age should not deteriorate from the present condition and that investments will be made at a rate at or above the aging rate, which is not the case. To keep the system from deteriorating, 610 miles of road need to be rebuilt each year; currently an average of 325 miles are being rebuilt.

Activity Funding

Funds in the HUTDF are distributed to state roads, county state-aid highways, and municipal state-aid streets by a constitutionally defined formula of 62% state, 29% county, and 9% municipal. Of the funds designated for counties and cities, 2% is set aside by statute for the operating expenses of SALT Division and for system-wide expenditures.

Federal funds are distributed by the Area Transportation Partnerships (ATP) in each of the Minnesota Department of Transportation (Mn/DOT) districts. Local Roads receive a portion of the total federal funding available based upon a competitive system, which varies by ATP. The federal funding product activity involves not only roadway projects, but also other Federal Highway Administration aid directed to local agencies, including such program categories as transportation enhancements and scenic byways.

Counties remain interested in taking over jurisdiction of lower priority trunk highways. The 1998 legislature created a flexible account to be used for trunk highway and turn back program needs. The commissioner of Transportation consults with committees representing statewide county and municipal associations before determining how to propose the biennial budget for flexible account dollars.

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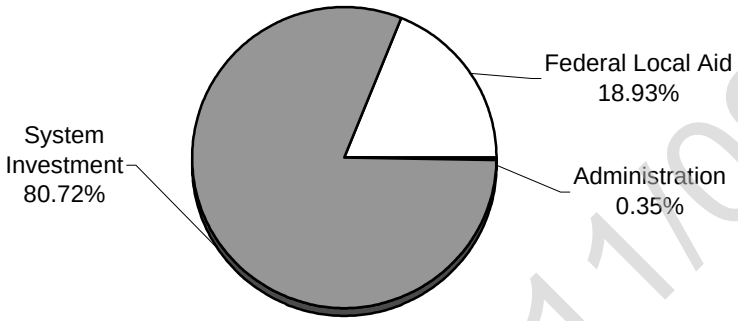
Expenditures by Product/Service
FY 2006 Total = $543.5 Million)
Data as of 8/26/05



Contact

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TRANSPORTATION DEPT
Program: LOCAL ROADS
Activity: COUNTY STATE AID ROADS

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
County State Aid Highway					
Current Appropriation	427,056	453,948	453,948	453,948	907,896
Technical Adjustments					
End-of-session Estimate			(26,646)	(11,373)	(38,019)
Subtotal - Forecast Base	427,056	453,948	427,302	442,575	869,877
Governor's Recommendations					
Dedication of Vehicle Leasing Sales Tax		0	5,664	6,777	12,441
Total	**427,056**	**453,948**	**432,966**	**449,352**	**882,318**
Expenditures by Fund					
Direct Appropriations					
County State Aid Highway	416,038	445,088	432,966	449,352	882,318
Statutory Appropriations					
Misc Special Revenue	0	244	725	725	1,450
County State Aid Highway	8,849	12,482	12,665	13,117	25,782
Federal	90,904	100,000	100,000	100,000	200,000
Total	**515,791**	**557,814**	**546,356**	**563,194**	**1,109,550**
Expenditures by Category					
Total Compensation	3,867	3,969	3,709	3,709	7,418
Other Operating Expenses	5,070	8,757	9,081	9,533	18,614
Capital Outlay & Real Property	2,836	15,000	10,000	10,000	20,000
Local Assistance	504,075	530,088	523,566	539,952	1,063,518
Non-Cash Transactions	(57)	0	0	0	0
Total	**515,791**	**557,814**	**546,356**	**563,194**	**1,109,550**
Full-Time Equivalents (FTE)	**44.8**	**44.7**	**44.7**	**44.7**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
Special Revenue Fund				
Expenditures	600	600	600	600
Revenues	600	600	600	600
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor proposes that legislation be enacted to overhaul Minnesota's existing Truck Size and Weight (TS&W) laws. An extensive study was done during the last seven months of 2005, which resulted in numerous recommendations to streamline existing law. Revenue from these fees will be used for inspection and identification of local bridges to be posted, as well as erecting weight posting signs on local bridges.

Background

A major thrust of the proposed changes is to allow heavier trucks to use Minnesota's non-interstate highways, if they have additional axles to distribute the extra weight. Research has shown that heavier trucks equipped with additional axles do less damage to road pavements than lighter trucks with fewer axles These laws affect the cost of transportation for Minnesota's freight shippers and carriers. Allowing heavier payloads means fewer truck trips and lower transportation costs. Changes to these laws will improve productivity and local access, allow for more direct routing of freight, all the while promoting uniformity. Allowing heavier vehicles also means that some additional bridges would need to be posted. This proposal addresses that concern by setting annual permit fees for the heavier trucks; these fees are estimated to raise approximately $600,000 per year.

The most prominent of the proposals to increase allowable truck weights would allow 90,000 pound trucks with six axles. They would be the same dimensions as today's five axle combinations. They would be allowed to reach 99,000 pounds during winter and seasonal harvest periods. Additionally it is proposed to allow 97,000 pound trucks with seven axles and 108,000 pound twin-trailer trucks with 8 axles. The legislation would also change spring load restrictions, remove the 73,280 pound limit for 5 axle semi-trailers on 9-ton roads, clean up a few selected truck size and weight regulations in statute and, in a few cases, bring state law into conformance with federal requirements.

Alternatives Considered

Minnesota's laws regarding allowable weight limits, lengths, and widths of commercial motor vehicles are designed to ensure safe vehicle operation on Minnesota's roadways, and to preserve the state's investment in highway and bridge infrastructure.

In recent years, the Legislature has approved many exceptions and special provisions to state laws governing TS&W on state and local roads. In light of changing patterns of economic growth and logistics, continued increases in truck traffic, and numerous requests for changes to laws, a comprehensive review of Minnesota's state TS&W laws was needed.

Accordingly, Mn/DOT undertook a substantial study of TS&W laws during the last seven months of 2005. Mn/DOT developed a list of recommended changes to Minnesota's TS&W laws for consideration by the 2006 legislature. However, the 2006 legislature chose not to consider proposed legislation developed to implement these recommendations.

Statutory Change: Changes to Minnesota Statutes chapter 169.

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Activity Description

The Municipal State Aid activity primarily deals with the 9% of the Highway User Tax Distribution Fund (HUTDF) that is allocated to cities with more than 5,000 in population. These funds are apportioned to the individual cities according to a formula prescribed in law, and by the commissioner of transportation with the advice of a screening board consisting of city engineers. These dollars are apportioned to cities for both maintenance and construction on the 3,292 miles of state aid streets. Construction projects improve safety. Many projects are designed to relieve congestion and improve structural capacity to improve the movement of goods. The cities select the construction projects and perform maintenance activities within their jurisdictions. The State Aid for Local Transportation (SALT) Division reviews and approves individual construction plans for compliance with standards and rules.

Activity at a Glance

- Supervise the distribution of funds to 130 cities for their use in building and maintaining the MSAS system
- Authorize grants for bridge construction
- Provide technical assistance in areas of design, construction, and maintenance
- Promulgate rules and procedures for management of the State Aid system
- Administer loans and grants from Local Road Improvement Program

The Municipal State Aid Street (MSAS) system is continuing to age and the miles of street considered being in poor condition increased by 87 miles during the past biennium.

Population Served

The SALT Division provides program support and project delivery services to approximately 138 cities.

Services Provided

Municipal State Aid Administration Services support the municipal state-aid program, including the needs study; information resources, such as access to accident records; payment services; technical and financial advice, oversight, coordination, and representation. It provides cities with guidance in establishing or modifying a state aid system that moves people and goods.

Municipal State Aid System Investment Services pertain to the city's construction, maintenance and project delivery costs. It also includes the SALT Division's project specific activities and the research program. The SALT Division is responsible for the design, construction, and maintenance of the MSAS system. The SALT Division approves construction plans and project funding requests to ensure consistency with the rules for State Aid Operation.

Historical Perspective

The number of cities sharing in the 9% Municipal State Aid Fund has increased from 112 in 1990 to 138 in 2005 which means that more cities are sharing in the allotments. SALT assists the cities in using their dollars on the priority projects in their areas, but there is increasing pressure to use the available dollars on preservation-type projects rather than long-term system improvements because of the compelling need to preserve what is in place.

Key Measures

The products and services provided by the SALT Division are monitored through performance measures based upon customer satisfaction and also through direct measures of level of service provided in key areas.

Age of System

⇒ Currently about 36% of the system mileage is considered to be in good condition (less than 20 years since the roadway was last graded).

⇒ Currently about 30% of the system mileage is considered to be in fair condition (more than 20 years, but less than 40 years since the roadway was last graded).

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⇒ Currently about 34% of the system mileage is considered to be in poor condition (more than 40 years since the roadway was last graded).

Our customers desire a smooth, uninterrupted trip, with no delays from road surface conditions. This expectation implies that the system age should not deteriorate from the present condition and that investments will be made at a rate at or above the aging rate; this is not the case. To keep the system from deteriorating, 82 miles of road need to be rebuilt each year; currently an average of 72 miles are being rebuilt.

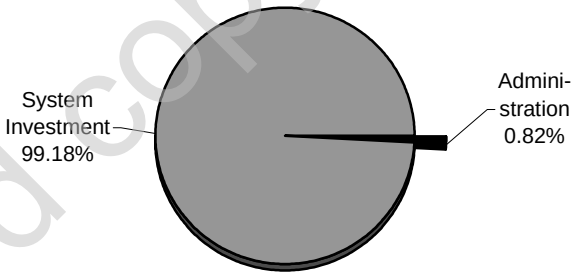
Activity Funding

Funds in the HUTDF are distributed to state roads, county state-aid highways, and municipal state-aid streets by a constitutionally defined formula of 62% state, 29% county, and 9% municipal. Of the funds designated for cities, 1.5% is set aside by statute for the operating expenses of SALT Division and for system-wide expenditures.

Federal funds are distributed by the Area Transportation Partnerships (ATP) in each of the Minnesota Department of Transportation (Mn/DOT) districts. Local roads receive a portion of the total federal funding available based upon a competitive system, which varies by ATP. The federal funding product activity involves not only roadway projects, but also other Federal Highway Administration aid directed to local agencies, including program categories such as transportation enhancements and scenic byways. The dollars flow through the county state aid road program since it is the primary local agency receiving these funds.

Cities remain interested in taking over jurisdiction of lower priority trunk highways. The 1998 legislature created a flexible account to be used for trunk highway and turn back program needs. The commissioner of transportation consults with committees representing statewide county and municipal associations before determining how to propose the biennial budget for flexible account dollars.

FY 2005 Expenditures by Product/Service
(Total = 133.1 Million)



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TRANSPORTATION DEPT
Program: LOCAL ROADS
Activity: MUNICIPAL STATE AID ROADS

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Municipal State Aid Street					
Current Appropriation	117,127	120,841	120,841	120,841	241,682
Technical Adjustments					
End-of-session Estimate			(5,469)	(1,340)	(6,809)
Subtotal - Forecast Base	117,127	120,841	115,372	119,501	234,873
Governor's Recommendations					
Dedication of Vehicle Leasing Sales Tax		0	1,488	1,780	3,268
Total	**117,127**	**120,841**	**116,860**	**121,281**	**238,141**
Expenditures by Fund					
Direct Appropriations					
Municipal State Aid Street	117,051	120,841	116,860	121,281	238,141
Statutory Appropriations					
Municipal State Aid Street	2,402	2,633	2,355	2,439	4,794
Total	**119,453**	**123,474**	**119,215**	**123,720**	**242,935**
Expenditures by Category					
Total Compensation	1,348	1,375	1,305	1,305	2,610
Other Operating Expenses	1,054	1,258	1,050	1,134	2,184
Local Assistance	117,051	120,841	116,860	121,281	238,141
Total	**119,453**	**123,474**	**119,215**	**123,720**	**242,935**
Full-Time Equivalents (FTE)	**16.1**	**16.1**	**16.1**	**16.1**	

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Program Description

The General Support and Services program provides strategic policy, direction, and guidance that lead to new and/or improved services. The goal of this program is to effectively and efficiently guide and support the Minnesota Department of Transportation's (Mn/DOT) business of providing transportation system leadership, management, information and key business services that continuously improve management of Mn/DOT's resources, including:

- *products/services* to clear the way for managers to concentrate maximum effort on meeting customers needs, services delivered in a timely and cost effective manner, and
- *products/services* that continuously deliver performance improvement at all levels in the organization.

Budget Activities

⇒ Department Support
⇒ Buildings

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	56	56	56	56	112
Subtotal - Forecast Base	56	56	56	56	112
Total	**56**	**56**	**56**	**56**	**112**
State Airports					
Current Appropriation	25	25	25	25	50
Subtotal - Forecast Base	25	25	25	25	50
Total	**25**	**25**	**25**	**25**	**50**
Trunk Highway					
Current Appropriation	55,508	55,508	55,508	55,508	111,016
Technical Adjustments					
Approved Transfer Between Appr			(246)	(246)	(492)
Subtotal - Forecast Base	55,508	55,508	55,262	55,262	110,524
Governor's Recommendations					
State Road Construction Realignment		0	2,000	2,000	4,000
Trunk Highway Fund Sales Tax Exemption		0	(420)	(475)	(895)
Compensation Adjustment		0	577	1,150	1,727
Total	**55,508**	**55,508**	**57,419**	**57,937**	**115,356**
Expenditures by Fund					
Direct Appropriations					
General	56	56	56	56	112
State Airports	25	25	25	25	50
Trunk Highway	50,991	62,051	57,419	57,937	115,356
Open Appropriations					
State Airports	54	50	50	50	100
Trunk Highway	4,998	4,555	4,555	4,555	9,110
Highway Users Tax Distribution	737	401	401	401	802
Statutory Appropriations					
Misc Special Revenue	668	611	512	512	1,024
Trunk Highway	1	3	0	0	0
Federal	22	445	124	124	248
Total	**57,552**	**68,197**	**63,142**	**63,660**	**126,802**
Expenditures by Category					
Total Compensation	26,825	28,877	30,677	31,231	61,908
Other Operating Expenses	27,626	35,222	28,538	28,502	57,040
Capital Outlay & Real Property	3,088	3,974	3,927	3,927	7,854
Local Assistance	13	124	0	0	0
Total	**57,552**	**68,197**	**63,142**	**63,660**	**126,802**
Expenditures by Activity					
Department Support	41,288	50,578	45,718	46,205	91,923
Buildings	16,264	17,619	17,424	17,455	34,879
Total	**57,552**	**68,197**	**63,142**	**63,660**	**126,802**
Full-Time Equivalents (FTE)	**345.6**	**332.4**	**331.3**	**331.3**	

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Activity Description

The Department Support budget activity exists to provide executive leadership, set policy, and determine strategic direction to ensure the Minnesota Department of Transportation (Mn/DOT) provides a coordinated transportation network that is safe, user-friendly, and responds to the values of Minnesota's citizens. Department Support also provides general management and specialized support services that efficiently and effectively directs the management and administration of the department's financial, human, and capital resources. In addition, this activity provides for Affirmative Action program guidance.

Activity at a Glance

- Department Support consists of approximately 340 employees
- Department Support serves all of Mn/DOT, approximately 4,750 employees
- Department Support accounts for approximately 3% of the department's budget

Population Served

The Department Support budget activity serves all of Mn/DOT, which has identified the following external customer segments: commuters, personal travelers, emergency vehicle operators, farmers, carriers, shippers using trucks, and shippers using multimodal transport modes. Internal department customer segments include: executives and senior managers, managers and supervisors, general support and services employees in the operational business units, and all employees. Additional main customers include other state and federal agencies.

Services Provided

⇒ ***Department Leadership and Management*** services include all general leadership, system planning, and integration efforts including activities such as government relations and management of partnerships that make the transportation system work.

⇒ ***Financial Services*** include statewide financial planning, forecasting, analysis, budgeting and management of federal and state funds, and project and innovative finance initiatives.

⇒ ***Communications Services*** includes strategic communications planning and consultation that help Mn/DOT gather customer input for improved decision making, manage media relations to enhance public understanding of transportation objectives, provide information to the public upon which they can rely, update travelers on travel options and traffic conditions, and communicate with employees so they can perform their jobs more effectively.

⇒ ***General Administrative Support*** incorporates a wide range of services including materials management, contracting and purchasing activities, accounting and payroll services, employee services, contingency planning, security, mail and document services, administrative rule-making, occupational safety and health services including workers compensation, and equal employment opportunity guidance.

⇒ ***Human Resources/Workforce Management Services*** provides the full range of human resource management and staffing services, workforce planning, recruitment, development and retention, diversity and affirmative action initiatives, labor relations, employee and policy development, and oversight.

⇒ ***Technology Services*** includes leadership and management of enterprise-wide and specialized information technology plans and investments, operation and support of information technology services and systems, and development of information resource systems and applications.

Key Measures

⇒ Skilled and Productive Workforce: hiring and retention of a skilled, productive, and diverse workforce is critical for Mn/DOT and our ability to deliver our programs.

⇒ Current efforts are in place to track and monitor our workforce trends. Strategies are being developed to identify the availability of candidates that match our needed skill sets to support the department's program needs. This includes information on employee turnover and diversity of our workforce.

⇒ Communications Reliability: percent of public satisfied. The target is 60% and in FY 2006, 57% of Minnesotans view Mn/DOT as a reliable source of information.

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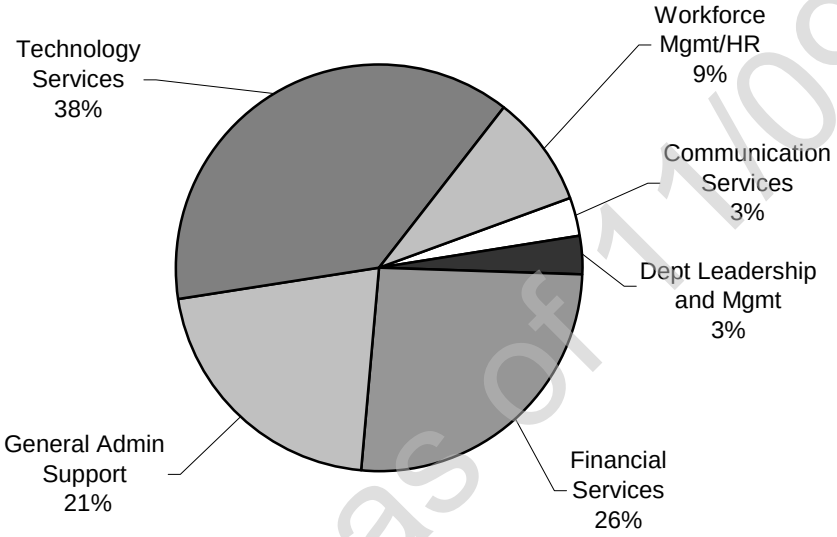
⇒ Technology: In FY 2005, 84% of projects were on schedule and 98% of projects were on budget. Targets are 80%.

⇒ The department continues to monitor its electronic government services for citizens, businesses, and other governmental entities.

FY 2006 Allocations Among Services Provided:



Activity Funding

This activity is primarily funded by direct appropriation from the Trunk Highway Fund.

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TRANSPORTATION DEPT
Program: GENERAL SUPPORT & SERVICES
Activity: DEPARTMENT SUPPORT

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
State Airports					
Current Appropriation	25	25	25	25	50
Subtotal - Forecast Base	25	25	25	25	50
Total	**25**	**25**	**25**	**25**	**50**
Trunk Highway					
Current Appropriation	38,974	38,974	38,974	38,974	77,948
Technical Adjustments					
Approved Transfer Between Appr			(246)	(246)	(492)
Subtotal - Forecast Base	38,974	38,974	38,728	38,728	77,456
Governor's Recommendations					
State Road Construction Realignment		0	1,271	1,271	2,542
Trunk Highway Fund Sales Tax Exemption		0	(333)	(377)	(710)
Compensation Adjustment		0	535	1,066	1,601
Total	**38,974**	**38,974**	**40,201**	**40,688**	**80,889**
Expenditures by Fund					
Direct Appropriations					
State Airports	25	25	25	25	50
Trunk Highway	35,325	44,649	40,201	40,688	80,889
Open Appropriations					
State Airports	54	50	50	50	100
Trunk Highway	4,998	4,555	4,555	4,555	9,110
Highway Users Tax Distribution	737	401	401	401	802
Statutory Appropriations					
Misc Special Revenue	126	450	362	362	724
Trunk Highway	1	3	0	0	0
Federal	22	445	124	124	248
Total	**41,288**	**50,578**	**45,718**	**46,205**	**91,923**
Expenditures by Category					
Total Compensation	24,762	26,772	28,549	29,080	57,629
Other Operating Expenses	16,513	23,682	17,169	17,125	34,294
Local Assistance	13	124	0	0	0
Total	**41,288**	**50,578**	**45,718**	**46,205**	**91,923**
Full-Time Equivalents (FTE)	**317.1**	**303.9**	**302.8**	**302.8**	

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Activity Description

This building activity covers the facilities investment and planning (planning, programming, design and construction) and facilities operations and maintenance (maintenance, repair, operation and administration) of buildings owned or occupied by the Minnesota Department of Transportation (Mn/DOT). This includes leased space and facilities in partnership with other political subdivisions.

This activity is governed by M.S. 174.03, Subd. 4(1), construct and maintain transportation facilities as authorized by law and M.S. 161.20, Subd 2.

Activity at a Glance

Mn/DOT owns and operates 1,012 buildings with a total of 5,685,482 square feet, including:

- 131 Truck Station Sites
- 18 Regional/Head Quarters maintenance sites
- Five Special Service Sites
- 53 Class I Rest Area Sites
- 25 Class II Rest Area Sites
- Eight Truck Weigh Stations
- 90 Radio Communication Sites
- 289 Salt/Sand Loading Sites
- Facilities estimated replacement cost of $676,572,358 (at $119.00 per square foot)
- Funded by direct appropriation from the Trunk Highway Fund

Population Served

Facilities need to be routinely operated, maintained, repaired, constructed and/or upgraded to provide support for Mn/DOT missions. Space is required for vehicle storage and repairs, ancillary, and installed supporting equipment. Facilities are provided at correct locations for operations so Mn/DOT employees can efficiently and promptly respond to the customer needs. These facilities are constructed to accommodate program requirements; new equipment demands and is regulatory or building code driven. Further, Mn/DOT facilities are built and maintained to support and meet transportation systems user requirements, and to respond to environmental and safety concerns.

Mn/DOT also provides space for other state agencies to perform their missions. The Minnesota State Patrol is located in the majority of our headquarters facilities, numerous truck stations and provides a presence in major highway rest areas. Driver and Vehicle Services are also located in a number of our headquarters facilities, providing customer license services to the citizens of Minnesota.

Services Provided

This activity provides support facilities to Mn/DOT through two product and service lines:

⇒ **Facilities Investment and Planning**
This product and service line provides planning, programming, budget development, design, and construction of department facilities. It includes the supervision of consultants if hired to perform these functions when existing staff is fully committed.

⇒ **Facilities Operations and Maintenance**
This product and service line performs the necessary operations, maintenance and repairs to keep facilities useful for their intended purpose. It includes development and enforcement of facility standards, building codes, other regulatory requirements compliance, and partnership agreements with other political subdivisions. It also includes the administrative functions associated with custodial work, supplies and services, and telecommunications support.

Historical Perspective

Every year, Mn/DOT uses the building budget process to review and plan with building users and division staff, the deficiencies and needs for immediate maintenance, future building space requirements and renewals. The process generally results in a six-year construction plan. This process also develops annual maintenance and repair projects that require plans and/or specifications be developed by licensed professionals. Over 130 major maintenance and repair projects were planned, bid and awarded for completion in FY 2006, 262 remain "backlogged" or unfunded, and at present, an additional 255 projects have been requested for FY 2007.

Wherever and whenever possible, Mn/DOT partners with local government subdivisions to construct facilities that will provide savings in effort, methods of operation, efficiencies in manpower and taxpayer monies. Mn/DOT has a limited in-house architectural design and construction staff, capable of producing project documentation,

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bidding, construction supervision and inspection. When in-house service capabilities are reached, projects are reviewed and grouped for efficiencies and location, then contracted with consultants for design and limited construction services. Mn/DOT staff continues to provide facility standards, equipment requirements, and specification details. Further, this staff supervises and coordinates consultant services as project managers.

Key Measures

Mn/DOT has established a number of key measures to provide status of this program as well as performance measurement.

⇒ **Building Adequacy – 80% of Mn/DOT buildings meeting functional needs.**
The measure is based on the Facilities Assessment Report developed by Mn/DOT Facilities Management Services and performed semi-annually by the district physical plant supervisors. The number of facilities scoring a certain number of points determines the percent (500 points of a possible 625 total points). These assessments provide Mn/DOT facility planners with information concerning building primary and secondary systems, site conditions, safety concerns, functional standards, energy conservation, barrier free access and environmental conditions. In 2006, 67.62% of Mn/DOT buildings met functional needs.

⇒ **Building Improvement and Replacement – 100% of current biennium six-year capital budget design and construction program on schedule.**
Using the six-year construction plan, design, and construction project schedules were developed and are tracked monthly to ensure remedial action can be taken to produce plans, specifications and construction of a facility on time and on budget. Current projects are within accepted project schedules.

Using additional funds allocated to the Facilities Operations and Maintenance Program last legislative session for construction of replacement facilities under $1 million, Mn/DOT has the following projects under construction:

- Sandstone Truck Station Replacement
- Garrison Truck Station Replacement
- Faribault Truck Station Replacement
- Eden Prairie Salt Storage Facility Replacement
- Traffic Services Addition, Oakdale

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TRANSPORTATION DEPT
Program: GENERAL SUPPORT & SERVICES
Activity: BUILDINGS

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	56	56	56	56	112
Subtotal - Forecast Base	56	56	56	56	112
Total	**56**	**56**	**56**	**56**	**112**
Trunk Highway					
Current Appropriation	16,534	16,534	16,534	16,534	33,068
Subtotal - Forecast Base	16,534	16,534	16,534	16,534	33,068
Governor's Recommendations					
State Road Construction Realignment		0	729	729	1,458
Trunk Highway Fund Sales Tax Exemption		0	(87)	(98)	(185)
Compensation Adjustment		0	42	84	126
Total	**16,534**	**16,534**	**17,218**	**17,249**	**34,467**
Expenditures by Fund					
Direct Appropriations					
General	56	56	56	56	112
Trunk Highway	15,666	17,402	17,218	17,249	34,467
Statutory Appropriations					
Misc Special Revenue	542	161	150	150	300
Total	**16,264**	**17,619**	**17,424**	**17,455**	**34,879**
Expenditures by Category					
Total Compensation	2,063	2,105	2,128	2,151	4,279
Other Operating Expenses	11,113	11,540	11,369	11,377	22,746
Capital Outlay & Real Property	3,088	3,974	3,927	3,927	7,854
Total	**16,264**	**17,619**	**17,424**	**17,455**	**34,879**
Full-Time Equivalents (FTE)	**28.5**	**28.5**	**28.5**	**28.5**	

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Fiscal Impact ($000s)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
General Fund					
Expenditures	$8,369				
Revenues		(29,000)	(34,700)	(39,200)	(45,000)
Other Fund					
Expenditures, County State Aid Fund		5,664	6,777	7,656	8,789
Expenditures, Municipal State Aid Fund		1,488	1,780	2,011	2,309
Expenditures, transit, metro		129,783	158,174	187,644	221,966
Expenditures, transit, Greater Minnesota		8,399	9,371	10,343	11,847
Revenues, Highway User Tax Distribution Fund		17,400	20,820	23,520	27,000
Revenues, Transit Assistance Fund		11,600	13,880	15,680	18,000
Net Fiscal Impact	$8,369	145,334	176,102	207,654	244,911

Recommendation

The Governor recommends enacting legislation to implement the constitutional amendment that fully dedicates motor vehicle sales tax (MVST) revenues to transportation purposes. The enabling legislation will allocate MVST revenues 60% to highway purposes and 40% to transit purposes phased-in over a five year period. After the phase-in, 38% of MVST would be for metropolitan transit and 2% would be for Greater Minnesota transit.

The Governor also recommends statutorily dedicating the sales tax on motor vehicle leases on the same basis as the constitutional dedication of MVST.

The Governor also recommends FY 2007 deficiency appropriations from the General Fund of $7.847 million to the Metropolitan Council and $522,000 to Mn/DOT to reflect the decline in MVST revenues for FY 2007 from the February 2006 forecast to the November 2006 forecast.

Background

On November 7, 2006, the citizens of Minnesota authorized changing the Minnesota Constitution to dedicate 100% of MVST revenues to transportation purposes. Statutory enabling legislation is required to implement this change. This proposal would change the existing deposit of MVST revenues in M. S. 297B.09 subdivision 1, to provide a five-year phase-in dedicating 60% of MVST revenues to the highway user tax distribution fund (HUTDF) and 40% of MVST revenues to a transit assistance fund. The transit assistance fund would have two accounts, one for metropolitan transit purposes and one for Greater Minnesota transit purposes. The final split between these two accounts would be 38% of MVST for metropolitan transit programs and 2% for Greater Minnesota programs (95%/5% of the 40%). Legislation must be passed to distribute the revenues to the HUTDF and to a newly created transit assistance fund and also to distribute the transit funds to the metropolitan and Greater Minnesota transit accounts.

Under current law motor vehicle leases are taxed based on the provisions of Minnesota Statutes Chapter 297A; accordingly, this revenue is deposited in the General Fund. The Governor proposes that the provision for depositing this revenue be statutorily changed such that this revenue would be treated the same as revenue from MVST, since purchasing a motor vehicle compared with acquiring the use of a vehicle through a lease are conceptually similar. This proposal would change how sales tax revenue on motor vehicle leases is deposited from the GF to transportation funds and would be phased in from 2008 to 2012 (the same as for MVST) such that in 2012 60% of the revenue would be deposited in the highway user tax distribution fund and 40% would be deposited in a transit assistance fund.

Revenue received in the highway user tax distribution fund is further distributed to the trunk highway fund (58.9%), the county state aid highway fund (32.55%), and the municipal state aid street fund (8.55%), in accordance with Article XIV of the Minnesota Constitution.

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Relationship to Base Budget

The November 2006 forecast assumed the following with respect to the dedication of sales tax for transportation:

- 60% of MVST to the HUTD and 40% of MVST to a transit assistance fund;
- No current law authority for spending from transit assistance fund;
- Discontinuation of spending from metropolitan area transit fund and Greater Minnesota transit fund from FY 2008; and
- Change in revenue to GF from MVST dedication to transportation.

This proposal changes the February 2007 forecast as follows

- Highways: addition of revenue from dedication of sales tax on leases, same basis as MVST;
- Additional direct appropriations for CSAH and MSAS spending on roads and highways to reflect the additional transfer of funds from the HUTD from the proposed dedication of sales tax on leasing;
- Transit: provide statutory dedication of transit assistance fund to metropolitan and Greater Minnesota transit, including $408,000 in FY 2008 and $416,000 in FY 2009 and beyond for administration of the Greater Minnesota program at Mn/DOT;
- Transit: addition of revenue from dedication of sales tax on leases, same basis as MVST; and
- Change in revenue to GF from dedication of sales tax on leases (shown in the Governor's tax initiatives).

The proposed phase in schedule from both MVST and sales tax on leases is shown in the following table.

	General Fund	HUTD	Transit Fund	Of which, Metropolitan	Of which, Greater Minnesota
FY 2008	36.25%	38.25%	25.50%	23.95%	1.55%
FY 2009	26.25%	44.25%	29.50%	27.85%	1.65%
FY 2010	16.25%	50.25%	33.50%	31.75%	1.75%
FY 2011	6.25%	56.25%	37.50%	35.60%	1.90%
FY 2012	0%	60.00%	40.00%	38.00%	2.0%

The impact of this proposal in terms of additional revenues and/or spending to highway and transit funds, using the phase in above, and compared to the February 2007 forecast, is as follows:

Fiscal Impact ($000s), compared to February 2007 forecast	FY 2008	FY 2009	FY 2010	FY 2011
HUTD, additional revenue				
Dedication of sales tax on leasing	$17,400	$20,820	$23,520	$27,000
Highway spending changes				
CSAH additional appropriation	5,664	6,777	7,656	8,789
MSAS additional appropriation	1,488	1,780	2,011	2,309
Transit Assistance Fund, additional revenue				
Dedication of sales tax on leasing	11,600	13,880	15,680	18,000
Note: 40% of constitutional dedication already in Transit Assistance Fund in November 2006 forecast				
Transit, Metropolitan, additional spending				
Constitutional Amendment	118,888	145,071	172,784	204,878
Dedication of sales tax on leasing	10,895	13,104	14,861	17,088
Transit, Greater Minnesota, additional spending				
Constitutional Amendment	7,694	8,595	9,524	10,935
Dedication of sales tax on leasing	705	776	819	912

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Statutory Change: Change the deposit of MVST revenues in M.S. 297B.09, subdivision 1, to phase-in a 100% dedication to transportation purposes over five years. Dedicate the sales tax on leased vehicles in M.S. 297A.815 on the same basis as changes in M.S. 297B. Pass legislation creating a new transit assistance fund and establishing a metropolitan transit account to receive, by 2012 and thereafter, 38% of the total MVST and leased vehicle sales tax revenues and a Greater Minnesota transit account to receive 2% of the total MVST and leased vehicle sales tax revenues. Statutorily appropriate revenues in the transit accounts.

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Change Item: Trunk Highway Fund Sales Tax Exemption

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Revenues—TH exemption	$(4,125)	$(4,660)	$(4,820)	$(4,990)
Revenues—Northstar	(4,600)	(3,100)	0	0
Trunk Highway Fund				
Expenditures	(4,125)	(4,660)	(4,820)	(4,990)
Revenues	0	0	0	0
Net Fiscal Impact	$4,600	$3,100	$0	$0

Recommendation
The Governor recommends that agency purchases using appropriations from the trunk highway fund be exempted from payment of state sales tax.

The Governor also recommends that purchases related to the Northstar commuter rail project be exempted from state sales tax.

Background
Until several years ago, state agencies were exempt from sales tax. State agencies were then required to pay sales tax as part of the solution to a General Fund shortfall in the 1990's. Sufficient General Fund resources exist to permit the trunk highway fund to no longer pay sales tax in order to help the fund pay for important highway projects.

Relationship to Base Budget
The current (FY 2007) Mn/DOT trunk highway fund direct base appropriation is $1.186 billion. The amounts shown above represent amounts by which appropriations within Mn/DOT be reduced while buying the same amount of transportation products and services if the fund were exempt from paying sales tax.

The estimated impact to the General Fund from exempting Northstar commuter rail project is $4.6 million in FY2008 and $3.1 million in FY2009. No expenditure changes are shown for Northstar as the project budget will be unchanged.

Key Measures
This request has the potential for assisting any of Mn/DOT's measures in such areas as ride quality or congestion by freeing up funds for use for transportation projects and services rather than paying these dollars to the General Fund.

Statutory Change: Change to applicable sales tax statutes.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$9	$18	$18	$18
Revenues	0	0	0	0
Other Fund				
Expenditures	6,204	12,533	12,533	12,533
Revenues	0	0	0	0
Net Fiscal Impact	$6,213	$12,551	$12,551	$12,551

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs, and 2% for costs in the state airports and trunk highway funds.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	199	165	165	165	330
Trunk Highway	7,536	5,661	111,161	6,561	117,722
Grants:					
Municipal State Aid Street	151	179	179	179	358
County State Aid Highway	202	300	300	300	600
Trunk Highway	391,872	456,000	271,103	394,442	665,545
Other Revenues:					
General	116	0	0	0	0
State Airports	797	362	679	719	1,398
Municipal State Aid Street	4,772	5,600	6,000	6,200	12,200
County State Aid Highway	13,547	14,400	15,000	15,400	30,400
Trunk Highway	18,916	15,925	18,346	17,325	35,671
Highway Users Tax Distribution	1,486	2,000	2,050	2,100	4,150
Other Sources:					
General	14	0	0	0	0
Taxes:					
General	2,170	0	0	0	0
State Airports	9,316	13,516	14,106	14,106	28,212
Municipal State Aid Street	914	871	0	0	0
County State Aid Highway	3,496	3,331	0	0	0
Trunk Highway	110	0	0	0	0
Highway Users Tax Distribution	0	0	17,400	20,820	38,220
Total Non-Dedicated Receipts	**455,614**	**518,310**	**456,489**	**478,317**	**934,806**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	1,036	1,483	2,300	2,400	4,700
State Airports	401	500	500	500	1,000
Trunk Highway	4,918	3,900	3,900	3,900	7,800
Miscellaneous Agency	0	1	1	1	2
Grants:					
Misc Special Revenue	6,559	17,612	7,040	7,040	14,080
Trunk Highway	83,632	39,900	39,900	39,900	79,800
Federal	193,219	267,695	311,684	288,697	600,381
Other Revenues:					
Misc Special Revenue	12,492	14,396	13,294	13,294	26,588
State Airports	0	3	3	3	6
Trunk Highway	2,719	2,143	2,143	2,143	4,286
Federal	1,087	133	169	166	335
Miscellaneous Agency	254	416	416	416	832
Other Sources:					
Misc Special Revenue	2,686	2,000	2,000	2,000	4,000
State Airports	564	700	700	700	1,400
Trunk Highway	9,686	7,819	4,247	4,247	8,494
Miscellaneous Agency	30	50	50	50	100
Taxes:					
Transit Assistance	0	0	8,399	9,371	17,770
Total Dedicated Receipts	**319,283**	**358,751**	**396,746**	**374,828**	**771,574**
Agency Total Revenue	**774,897**	**877,061**	**853,235**	**853,145**	**1,706,380**

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Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
AERONAUTICS						
Federal Airports	Variable local	GPS	75,834	100,000	100,000	100,000
TRANSIT						
Vehicle Disposition (FTA Section 16) (190821)	0% match	GPS	0	50	50	50
FTA Capital Purchases (190822)	20% local match-vehicles 20% state match-admin.	GCBO/SO	1,100	1,658	1,895	1,991
FTA Section 18 (190823)	Operating: matches with Greater MN funds & local, Capital match with 20% local	GPS/SO	7,199	8,478	14,080	14,502
Rideshare - Federal (190824)	Rideshare Grants: 20% local	GPS/SO	104	104	80	80
Planning FTA Section 5303/5313 (190831)	20% local	GPS	4,120	7,564	5,510	5,664
Central Corridor 20.500 (190833)	20% local/TH	GPS	11	1,872	0	0
Transitways 20.500 (190838)	20% local	GPS	232	9,620	0	0
Riverview & Central Corridor MN90X126 20.507	20% local	GPS	1,092	50	0	0
Northstar Commuter Bus MN030069 (190914)	20% state	GPS	769	2,471	0	0
STP: Northstar Preliminary FTA Section 5307 (190852)	20% state	GPS	0	36	0	0
Transitways /Red Rock/N*	20% local	GPS	45	5,564	0	0
Mower County Facility	20% local	GPS	0	314	0	0
Rush Line	20% local	GPS	0	761	500	250
Bike/Ped Coordinators (190835)	State Match 20%: bike registrations	SO	99	80	80	80
United We Ride	20% state or local	GPS/SO	35	50	0	0
Safe Routes to School	0% match	SO	28	120	76	76
Isanti Transit Garage	20% local	GPS	0	486	0	0
Becker County Bus Facility	20% local	GPS	0	200	0	0
Arrowhead Koochiching	20% local	GPS	0	281	0	0
Non-Motorized Evaluation	0% match	GPS	0	170	0	0
Northstar Corridor FY2003	20% local	GPS/SO	0	4,918	0	0
Northstar Corridor FY2004	20% local	GPS/SO	0	5,659	0	0
FTA Northstar Corridor FY2005	20% local	GPS/SO	0	0	4,960	0
FTA Northstar Construction	20% local	GPS/SO	0	0	64,600	41,300
FTA Section 5309	20% local	GPS	0	1,569	0	0
FTA Transit Facilities	20% local	GPS	0	2,644	0	0

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FTA Transit Capital	20% local	GPS	0	990	3,000	3,000
MVTA Capital	20% local	GPS	0	0	0	5,690
JARC	20% local	GPS/SO GCBO	0	0	799	843
New Freedom	20% local	GPS/SO GCBO	0	0	503	531
FREIGHT						
Federal/Local Rail Project (190819)	Variable local	GCBO	5,281	5,000	5,000	5,000
MVRRA	None	GPS	0	9	9	9
Federal Rail Safety	Variable local	GPS	25	113	0	0
MVRRA Amendment 01	20% local	GCBO	0	2,000	2,000	2,000
Motor Carrier Safety (190825)	80/20 after first $213,000	SO	1,614	1,260	1,260	1,260
New Entrant Safety Assurance	None	SO	338	700	700	700
STATE ROADS						
Pooled Fund Project (190830)	20% state	SO	261	3,650	3,650	3,650
HSEM Urban Initiative	None	SO	368	0	0	0
HSEM Statewide Grant	None	SO	171	0	0	0
Roadway Safety (190849)	None	SO	0	5	5	5
TOCC – Wireless Base Station	None	SO	3,032	7	0	0
Towards Zero Deaths Committee	None	SO	105	105	105	105
ITS Special Projects	None	SO	16	0	0	0
Steel Dowel Tubes	20% state	SO	60	60	60	60
Minnesota Value Pricing	20% state	SO	714	266	500	500
GCBD – Mn/Road TPF	None	SO	5	225	225	225
National Mayday	20% state	SO	171	45	0	0
Speed Management Program	None	SO	63	57	0	0
Night Cap Evaluation	$6,678	SO	17	33	0	0
Tailgating	None	SO	15	0	0	0
HSEM Critical Infrast Protect	None	SO	150	0	0	0
HSEM Statewide 2005	None	SO	68	344	0	0
Amber Alert	20% state	SO	171	201	0	0
I-394 MnPass Enf, Pln, Edu	20% state	SO	13	600	1,000	168
CICAS	None	SO	0	2,500	1,000	1,000
Integrated Corridor Management Stage One	None	SO	0	110	82	0
Collab 89261 40 FP8806	20% state	SO	0	50	0	0
Federal Formula Highway Agreements						
Construction			299,049	374,041	407,410	409,229
Local Federal in SRC			0	700	9,763	1,842
LAC Request			0	0	0	0
Earmarks			0	2,000	3,000	3,000
Less: Section 164 Sanction			(9,530)	(10,073)	(10,940)	(11,110)
Less: AC Conversions			(302,553)	(201,391)	(234,883)	(198,921)
Add'l. Adv. Constr			272,023	251,723	61,753	149,402
Fed Aid Operations	Variable		35,850	39,000	35,000	41,000
Total Constr Agreements	state	SO	294,839	456,000	271,103	394,442

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LOCAL ROADS						
Fed. County Road & Bridge (190834)	Variable local	GPS	90,904	100,000	100,000	100,000
DEPARTMENT SUPPORT						
PIE/TERO (190879)	20% state	SO	14	53	0	0
Disadvantage Business Ent (190907)	None	SO	1	13	5	5
Biztrak (190922)	20% state	SO	0	3	3	3
State Patrol E-Learning	None	SO	8	0	0	0
AASHTO Civil Rights Conf	20% state	SO	0	50	0	0
STP/OJT 04	20% state	GCBO	8	121	0	0
PIE/TERO Roads	20% state	GCBO	0	51	51	51
DBE Support	None	SO	10	82	0	0
DBE SS02	None	SO	35	43	43	43
DBE SS03	None	SO	0	11	11	11
DBE Support SS04	None	SO	0	11	11	11
Agency Total			**489,145**	**729,487**	**582,956**	**683,305**

Key:
Primary Purpose
SO = State Operations
GPS = Grants to Political Subdivision
GI = Grants to Individuals
GCBO = Grants to Community Based Organizations

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➲ Designates that this item is a change item

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State of Minnesota
Department of Finance

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January 22, 2007

To the 2007 Legislature:

I respectfully submit for your consideration the Governor's FY 2008-09 budget proposal for the judicial branch agencies, including the Supreme Court, the Court of Appeals, the Trial Courts, the Legal Professions Boards, and the Board of Public Defense. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

The Governor recommends a general funding increase of 4% per fiscal year for the major judicial branch agencies to recognize compensation-related, caseload, and other cost pressures in the criminal justice area. The Governor makes no specific recommendations on judicial branch agency change requests for the FY 2008-09 biennium.

The Governor also recommends $200,000 in FY 2007 as a deficiency request for the Board of Public Defense to deal with increased transcript costs.

Sincerely,

Tom J. Hanson

Tom J. Hanson
Commissioner

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Agency Purpose

The Minnesota's trial courts resolve citizens' criminal cases and civil disputes.

⇒ **Mission** – To provide justice through a system that assures equal access for the fair, competent, and timely resolution of cases and controversies.

⇒ **Vision** – The general public and those who use the court system will refer to it as accessible, fair, consistent, responsive, free of discrimination, independent, and well managed.

Core Functions

The trial court has original statewide jurisdiction in all civil and criminal actions within district boundaries. There are 10 judicial districts, and 281 district court judges. A family court division, juvenile court division, probate division, conciliation court division, and a traffic and ordinance violations bureau exist in the district court.

In support of these core functions, the trial courts are implementing the following service strategies:

⇒ Set case processing and case management standards, and institute monitoring programs for exceptions to ensure timely disposition of cases.

⇒ Develop programs to allow litigants meaningful access to the court process, e.g., court interpreter programs, free legal services for the poor, and self-help programs for persons who choose to guide their own litigation.

⇒ Explore ways to use technology to improve and expedite the work of the courts, including making justice more consumer oriented.

⇒ Develop programs and technologies to provide judges the critical information needed to make timely and sound case and policy decisions.

⇒ Delegate legal research and where possible draft decision writing to law clerks, freeing judges to spend more time hearing cases or directing the case dispositional activities.

⇒ Review and evaluate court practices and policies to identify the need for systemic improvement through the Judicial Council and its committees.

⇒ Explore greater integration and coordination with other justice and social service agencies.

⇒ Develop an adequate and stable funding base, and develop a long-term allocation formula to equitably distribute state funding among the ten judicial districts.

At A Glance

- Each year, there are more than two million cases filed in Minnesota's trial courts.
- Trial court judges in Minnesota are among the hardest working in the country. They handle an average of 49% more cases each than do judges in states with comparable court systems.
- Caseloads continue to increase while time per case is being cut.
- The Legislative Auditor found that from FY 1996-2001, filings of major cases statewide in trial courts increased twice as fast as expenditures on the judiciary.
- The judiciary has completed a massive transformation, moving from a county-funded to state-funded system. As of FY 2006 all trial courts were state funded.
- The trial courts are implementing its new Minnesota Court Information System (MNCIS) technology application in counties throughout the state.
- The judicial branch operates in a constantly changing environment.
  - ⇒ Laws, case types, and legal sanctions change annually.
  - ⇒ Caseload volume is determined by other branches and levels of government.
- The Minnesota courts regularly review their effectiveness by monitoring:
  - ⇒ case filing trends;
  - ⇒ case clearance rates; and
  - ⇒ elapsed case time from filing to disposition.

Operations

With more than two million cases filed each year, the work of the trial courts has a substantial impact on Minnesotans.

Judges are assisted in their adjudicative work by law clerks (who perform legal research) and court reporters (who record trial proceedings). Court administration staff at the county and district level manage scheduling, case flow, finance, personnel, and juries. Judicial District Administrators and staff assist the Chief Judge in each district in carrying out his/her responsibility as the administrative head of all courts within the district.

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Budget

Of the funding for the trial courts, over 99% is from General Fund direct appropriations. Federal (and other) grants represent a very small source of funding. Another small source of funding which will increase over time is reimbursements assessed for Guardian ad Litem services.

Contact

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	230,973	231,253	231,253	231,253	462,506
Recommended	**230,973**	**231,253**	**245,019**	**255,461**	**500,480**
Change		0	13,766	24,208	37,974
% Biennial Change from 2006-07					8.3%
Expenditures by Fund					
Direct Appropriations					
General	219,020	243,151	245,019	255,461	500,480
Statutory Appropriations					
General	205	584	769	769	1,538
Misc Special Revenue	154	135	135	135	270
Federal	511	411	412	412	824
Miscellaneous Agency	837	214	198	198	396
Gift	55	92	0	0	0
Total	**220,782**	**244,587**	**246,533**	**256,975**	**503,508**
Expenditures by Category					
Total Compensation	182,330	193,409	193,013	193,013	386,026
Other Operating Expenses	37,416	51,138	53,495	63,937	117,432
Local Assistance	215	25	25	25	50
Other Financial Transactions	821	15	0	0	0
Total	**220,782**	**244,587**	**246,533**	**256,975**	**503,508**
Expenditures by Program					
Trial Courts	220,782	244,587	246,533	256,975	503,508
Total	**220,782**	**244,587**	**246,533**	**256,975**	**503,508**
Full-Time Equivalents (FTE)	**1,906.9**	**2,745.6**	**2,745.6**	**2,745.6**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**231,253**	**231,253**	**231,253**	**462,506**
Subtotal - Forecast Base	**231,253**	**231,253**	**231,253**	**462,506**
Change Items				
Judicial Branch Increase	0	13,766	24,208	37,974
Total Governor's Recommendations	**231,253**	**245,019**	**255,461**	**500,480**
Fund: GENERAL				
Planned Statutory Spending	**584**	**769**	**769**	**1,538**
Total Governor's Recommendations	**584**	**769**	**769**	**1,538**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**135**	**135**	**135**	**270**
Total Governor's Recommendations	**135**	**135**	**135**	**270**
Fund: FEDERAL				
Planned Statutory Spending	**411**	**412**	**412**	**824**
Total Governor's Recommendations	**411**	**412**	**412**	**824**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**214**	**198**	**198**	**396**
Total Governor's Recommendations	**214**	**198**	**198**	**396**
Fund: GIFT				
Planned Statutory Spending	**92**	**0**	**0**	**0**
Total Governor's Recommendations	**92**	**0**	**0**	**0**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$13,766	$24,208	$24,208	$24,208
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$13,766	$24,208	$24,208	$24,208

Recommendation

The Governor recommends a general funding increase for the major judicial branch agencies to recognize compensation-related, caseload, and other cost pressures in the criminal justice area. The Governor makes no specific recommendations on judicial branch agency change requests.

Background

The Governor respects the separation of powers and the desire of officials in the judicial branch and legislative branches and other constitutional officers to independently present their requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete and balanced budget.

Relationship to Base Budget

Base funding for state courts in the judicial branch in the FY 2008-09 biennium is $563 million. The funding increase recommended is about 8.2% for the biennium.

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THE SUPREME COURT OF MINNESOTA
MINNESOTA JUDICIAL CENTER
25 REV. DR. MARTIN LUTHER KING JR. BLVD.
ST. PAUL, MINNESOTA 55155

CHAMBERS OF
RUSSELL A. ANDERSON
CHIEF JUSTICE

(651) 296-3380

January 22, 2007

The 2007 Minnesota Legislature:

On behalf of the hundreds of thousands of litigants, 304 judges, and 3000 employees of the judicial branch of the State of Minnesota, I transmit the FY08-09 budget request for the Minnesota Judicial Branch.

In addition to the FY08-09 base budget for the Supreme Court, the Court of Appeals, and the District Courts, I am transmitting six change requests highlighting additional needs of the judicial branch for the next biennium. Those requests are:

- $38,914,000 in projected salary and insurance increases to Maintain Core Justice Operations by funding current staffing levels
- $8,310,00 for caseload growth in mandated services: interpreters, psychological services, guardians ad litem, and in forma pauperis services
- $9,632,000 for new trial court and court of appeals judges to handle the ever increasing caseloads in our courts
- $5,606,000 for our Strategic Plan initiatives
- $517,000 to address the need for security at the Minnesota Judicial Center
- $4,000,000 for Civil Legal Services for the Poor

The Minnesota judiciary recently culminated a two-decade effort to change the structure of our judicial branch in a way that will better meet the needs of Minnesota's citizens and the increasing demands placed on our court system. What was once a confederation of state appellate and county-funded trial courts is now a unified, state funded branch of government. The Judicial Council, a single statewide policy-making entity, has replaced the various policy groups associated with the dispersed court structure. These changes present a tremendous opportunity for the judicial branch to more equitably, efficiently, and effectively serve the citizens of Minnesota.

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As one of its first tasks, the Judicial Council developed a new strategic plan for the judicial branch, which sets a clear direction over the next three years for the operation of the unified court system. This strategic plan serves as a roadmap for the judicial branch – guiding judges and court employees as they perform their work, prioritizing the use of scarce judicial branch resources, and measuring the success of the courts as we strive to achieve our mission. The new strategic plan sets forth three long-term goals for the court system: (1) Access to Justice; (2) Administering Justice for Effective Results; and (3) Public Trust, Accountability, and Impartiality. Implementation of these goals is critical to achieving the full vision of a consolidated judicial branch.

At the same time, enormous caseload pressures continue, including the pervasive impact of methamphetamines on nearly every case type. Likewise, the need for services mandated by federal and state laws, such as interpreters, guardians ad litem, and psychological services, continues to grow.

State Funding and Judicial Branch Efficiencies

Over the past several years, the responsibility for funding trial court operations has shifted from county to state government. During this same time, the judicial branch has experienced little financial flexibility because of base budget cuts in FY04-05 and fewer funds provided in FY06-07 than were needed by the judicial branch.

Nonetheless, the judicial branch has endeavored to implement system changes aimed at providing services more efficiently and uniformly across the state. This has included consolidating court administrator positions so that over one-third of all court administrators (33 of 85) now serve more than one county; consolidating district administrator positions in the seventh and eighth judicial districts; sharing staff and moving work across county and district lines; developing an on-line self help center which is available across the state through the judicial branch website; contracting out collection efforts to obtain greater return on collection of court imposed fines and fees; and completing on schedule and within budget the implementation of MNCIS – a new statewide case management system which will provide better information to judges, court staff, criminal justice partners statewide, and the public. Our commitment to developing new performance standards will also guide the judicial branch toward new efficiencies.

The judicial branch has also effected fundamental reforms in programs that became state funded over the last several years to improve quality, coverage, and cost efficiency. For example, upon the transfer to state funding, the guardian ad litem (GAL) function in the state was a patchwork quilt of 56 different programs, delivering services of disparate quality with inadequate coverage for hundreds of abused and neglected children each year and at highly variable costs. Since that time, the number of programs has been reduced to ten (one per judicial district) and now operate with much greater consistency and efficiency. The number of supervisory staff has been cut nearly in half. Statewide training and a comprehensive quality assurance program have been implemented as well. And, most importantly, the number of children served has increased dramatically.

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The statewide interpreter program also has undergone a comprehensive and policy-based reform resulting in improved program oversight, uniform rates of compensation, and timely provision of qualified spoken and sign language interpreters. Best practices and statewide training, testing, and certification, as well as a comprehensive procedure for handling ethics complaints against interpreters, have been instituted. Similar work is underway to improve the psychological examination and pro se services functions, as well.

To address the historic disparity in county funding of our trial courts, we have embarked on a long-term equity effort to equalize resources over ten judicial districts. Nearly $5 million was reallocated from within the trial court base budget in FY06 and again in FY07 to help equalize resources among the districts. It is the policy goal of the judicial branch that citizens of this state should have access to equitable kinds and levels of judicial services regardless of where they live to give meaning to our belief in equal justice under law. The budget we have proposed will enable us to continue those efforts.

No Control Over Workload

The Minnesota judiciary is an open door for justice in this state. Our workload is dictated by the will of prosecutors enforcing state and local laws, the desires of citizens and businesses for redress, and the needs of children and other vulnerable adults for protection. The judicial branch is unable turn away those who enter the courthouse to seek our services. The judiciary has an impact on the lives of citizens from birth to death. Unlike state agencies, the judiciary does not run programs and has no discretionary services. All resources of the court system support the adjudication of matters brought to us by the citizens of the state.

I am therefore presenting to the Governor and to the 2007 Legislature for consideration, a FY08-09 budget request, as outlined above, which funds the resources necessary to meet the constitutional and statutory mandates of the judicial branch and provide the citizens of this state with the quality of judicial services that they expect and deserve.

Very truly yours,

Russell A. Anderson
Chief Justice

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District Courts

	FY08	FY09	Total
Adjusted Base Budget	$231,253	$ 231,253	$462,506
Change Requests:			
Maintain Core Justice Operations	11,284	23,003	34,287
Mandated Services	3,575	4,735	8,310
Caseload Increase	2,304	4,167	6,471
Strategic Plan Initiatives	2,738	4,966	7,704
Total Request	$ 251,154	$ 268,124	$ 519,278

Minnesota's 281 trial court judges and their support staff handle over 2,000,000 cases on an annual basis. Caseloads have increased significantly in the last decade and the time to process each case has dropped dramatically in many areas.

The trial courts are implementing legislatively authorized mission-critical initiatives, including MNCIS/CrimNet and integration of judicial problem-solving approaches for chemically dependent offenders, as well as Judicial Branch Strategic Plan Initiatives. The trial courts are also responsible for providing federal and state mandated services to litigants.

The District Courts are requesting additional funding as follows:

- **Maintain Core Justice Operations** seeks to fund employee and projected insurance cost increases to be negotiated by the Department of Employee Relations.

- **Mandated Services** to meet state and federal mandates as well as constitutional due process requirements by providing interpreters, guardians ad litem, psychological examinations and IFP services.

- **Caseload Increase** will increase critically needed trial court resources to address the significant growth in caseloads and address the increasing delays caused by insufficient resources.

- **Strategic Plan Initiatives** will fund implementation efforts for three of the ten priorities contained in the Judicial Branch Strategic Plan: Expanded resources for pro se litigants; adoption of statewide performance standards for the Judiciary; and implementation of judicial problem-solving approaches (drug courts) for alcohol and other addicted offenders.

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Change Item: Maintain Core Justice Operations

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$11,284	$23,003	$23,003	$23,003
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$11,284	$23,003	$23,003	$23,003

Request
The Trial Courts request $34.287 million in FY 2008-09 to maintain core justice operations.

Background
As of 7/1/05 all employees of the trial courts in the state's ten judicial districts became state employees as the judicial branch transitioned to state funding. Currently, the trial courts have approximately 2,479 employee FTEs and 281 judges. Trial court employees are compensated under three different union contracts or, for those who are not members of a union, under the judicial branch compensation and pay plan administered by the State Court Administrator's Office (SCAO) under the direction of the Judicial Council.

The judicial branch non-judicial pay plan consists of the same four basic components as the executive branch: across the board adjustments to the salary range, merit or step increases, employer retirement contributions, and the insurance programs negotiated by the Department of Employee Relations for all state employees.

During the FY 2008-09 biennium, the judicial branch has estimated that additional salary funding will be necessary to implement a pay plan commensurate with other negotiated state and local agreements and to provide a salary increase for judges in FY 2008 and FY 2009. Additional funding is also required to fully fund recently mandated increases in employer paid retirement plan contributions. Especially problematic is the expected double-digit increase for health insurance costs.

Relationship to Base Budget
This request represents a 7.4% increase to the Trial Court biennial base budget.

Key Measures
Failure to fund negotiated pay plans and mandated employee health insurance will result in layoffs. This will significantly impact the ability of the judicial branch to fulfill its constitution mandate to adjudicate and resolve cases effectively and without delay.

Alternatives Considered
Because human resources costs are greater than 85% of the judicial branch budget, the effective alternatives available to fund salary and insurance costs are few. A reduction in the workforce is the most likely and least desirable. The Trial Courts have already absorbed cuts, combined court administrators in more than one-third of the counties, and transferred funds across district and county lines and into the mandated services area to resolve shortfalls.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$3,575	$4,735	$4,735	$4,735
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$3,575	$4,735	$4,735	$4,735

Request
The Trial Courts request $8.31 million in FY 2008-09 for legally mandated services.

Background
The Minnesota Constitution, federal and state laws, and Minnesota Court Rules mandate that certain services be provided to individuals in the court system:

Minnesota Statutes 480.182 provides that the courts will pay the court related costs of examinations under Rule 20 of the Criminal Rules of Procedure and under M.S. Ch. 253B, the civil commitments, including commitments of persons who are mentally ill and dangerous, persons with sexual psychopathic personalities, and sexually dangerous persons. Each court in counties throughout the state contracts with licensed psychologists, licensed psychiatrists, and licensed medical doctors for these services. For the past several years the courts have seen substantially increasing costs for psychological examination services. A large part of the increase is due to escalating costs for sexually dangerous person and sexually psychopathic personality examinations. Expenditures for psychological services are expected to increase annually by 11%. This is based on an average increase in expenditures of approximately 11% for each year since FY 2002. The biennial request relating to psychological services is $3,682,000.

Both federal and state law mandate that courts provide interpreter services for individuals who are “handicapped in communication” (M.S. 611.31). This includes both deaf/hard of hearing and non-English speaking persons. The courts have faced an average annual court interpreter expenditure increase of 6% per year since FY 2003. The increasing trend is expected to continue at a rate of 5% each year of the new biennium. The increase in interpreter need has paralleled the increase in non-English speaking persons in Minnesota during the same time period. The biennial request relating to interpreter services is $1,383,000.

M.S. 563.01 provides that persons who are financially unable to pay the fees and costs related to a non-criminal court case may proceed In forma Pauperis (IFP) (without cost) upon approval by the court. The cost of the service fees, civil transcripts, witness fees, publication costs, courtroom visitors, guardians, substitute decision makers, and guardian background checks needed in these cases is borne by the court system. Expenditures in this budget have also increased over the last biennium. The biennial request relating to IFP services is $356,000.

Federal and state laws provide for the appointment of a guardian ad litem in every judicial proceeding involving an abused or neglected child. State law also mandates the appointment of a guardian ad litem in every family court proceeding involving child abuse or neglect. The Judicial Branch Guardian Ad Litem (GAL) program has made great strides in making improvements to the GAL system since state funding began in 2001. Current efforts are aimed at improving the qualifications, training, and preparation of GALs. In addition, the GAL Program continues to keep pace with the increased need for GAL services. There has been a significant spike in child neglect case filings across the state. Filings are up almost 14% from 2004 to 2005. Likewise, filings are up almost 15% in termination of parental rights cases during the same time period. Laws mandate that a GAL cover all of these cases. The GAL program is serving more cases, and more children, and putting in more hours per case than ever before as these cases become more complex largely due to the pervasive impact of methamphetamine. Since 2004 cases served have grown 22%, children serviced by 16% and the program budget cannot keep pace with the need for GAL for all these cases. The biennial request relating to guardian ad litem services is $2,889,000.

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Relationship to Base Budget

Federal law, Minnesota statutes, Minnesota court rules, and constitutional due process requirements mandate the provision of interpreters and GAL, psychological examinations and IFP services. Based on historical increases, caseload increases and demographic projections, a base budget increase is being requested for all four mandated services areas. In addition, due to a lack of financial flexibility caused by base budget cuts in FY 2004-05 and less funds provided in FY 2006-07 than was needed by the Judicial Branch, each of these budgets is experiencing a structural deficit. A portion of the budget request is to address this deficit.

This request represents a 1.8% increase to the Trial Courts biennial base budget.

Key Measures

The key measure for the psychological services change level request will be the number of psychological examinations performed. This will be reflected primarily in the total statewide number of examinations ordered by the courts.

The key measure for the interpreter change level request will be the number of deaf and hard of hearing and non-English speaking persons for whom interpreter services are provided. This will be reflected primarily in the total statewide number of requests for court interpreter services.

The key measure for the IFP change level request will be the number of persons who are granted IFP status. This will be reflected primarily in the total statewide number of service fees, civil transcripts, witness fees, publication costs, courtroom visitors, guardians, substitute decision makers, and guardian background checks paid for from court funds.

The key measure for the GAL change level request will be the number of cases served and children serviced. This will be reflected primarily in the total statewide number of child protection and termination of parental rights cases filed in the courts.

Alternatives Considered

Data on all four mandated services programs are continually being monitored and analyzed in order to identify program efficiencies and cost-savings strategies. Strategies that are currently being contemplated or utilized include:

- ⇒ Development of a web-based invoicing system for interpreter and psychological examination programs aimed at providing more detailed financial information about each service area, e.g. cost per psychological examination, examiner's hourly rates, travel costs.
- ⇒ Identification and implementation of best practices and other measures to help contain costs.
- ⇒ Use of telephone interpreting where feasible and appropriate.
- ⇒ Provision of quality training aimed at raising skill levels for GAL
- ⇒ Continuous recruitment of interpreters, especially in the rural area.

However, even with implementation of these strategies, increased caseloads and significant budget pressures will continue in the mandated services area. No additional significant reductions or efficiencies are possible without risking violation of federal, state, or constitutional due process requirements as well as federal and state laws.

Statutory Change: Not Aapplicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,304	$4,167	$4,167	$4,167
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,304	$4,167	$4,167	$4,167

Request
The Trial Courts request $6.471 million in FY 2008-09 for caseload increases.

Background
Each year there are more than 2 million cases filed in Minnesota's district courts. A majority of a trial judge's time is spent on what the judicial branch refers to as "major cases" – civil, criminal (felonies and gross misdemeanors), family, probate and serious juvenile delinquency matters. In the last decade major case filings have grown from 205,862 to 223,070, an 8.4% increase. The biggest system driver is criminal cases. In the last five years, felony and gross misdemeanor cases have increased by 24%. Felonies alone have grown by 43%.

Much of the increases in criminal cases are due to the rise in chemical dependency cases. From 1999 – 2005, felony drug cases rose from 5,035 to 9,863, a 96% increase. Methamphetamine cases accounted for 7% of all drug cases in 1999. By 2005 that figure rose to 46%. The total number of cases involving meth in the courts rose from 472 in 1999 to 4,579 in 2005, a 954% increase. There have also been dramatic increases in the area of Driving While Intoxicated (DWI) cases. From FY 2005 to FY 2006, gross misdemeanor DWIs grew 10%, misdemeanor DWIs grew 17%, and implied consents grew 18%.

The trial court is requesting increased funding for nine additional judge units (each unit includes a judge, court reporter, and law clerk and court administration staff) to complement the judgeships, based on the need shown by the Trial Court Weighted Caseload Analysis (WCL). The request will also fund one time start up costs for the new positions in FY 2008. This need does not take into account the need for new judge units that might result from laws enacted in 2007. Such resultant resource needs should be considered in addition to this request.

Adequate resources are essential if the Minnesota judiciary is to meet its constitutional requirement to manage and resolve cases effectively and without delay while also delivering quality services to the public. Meeting these challenges involves systematically assessing the number of judges required to handle caseloads, and resolving whether judicial resources are allocated equitably across the state. Minnesota has been a national leader in using weighted caseload methods in judicial resource assessment. It has employed this methodology since 1980. Weighted caseload analysis is used for determining the need for judges, assigning temporary and/or retired judges, designating chambers assignments, and designating cross-district judge assignments.

As noted above, the caseloads of Minnesota's trial courts have increased dramatically. More cases per judge means that judges are forced to spend less time on each case to stay current with incoming work. The result is often more cases squeezed onto already crowded dockets. The increase in cases can also translate into delays for litigants. Unfortunately, justice delayed is justice denied. As work loads rise judges can and do work faster; yet the justice function cannot be simply an assembly line process. The challenge is to provide judges sufficient time to reasonably engage litigants, listen to victims, clearly explain rulings and orders – features fundamental to the public perception of fairness and appropriate treatment by the court. The issue addressed in WCL is how best to allocate scarce judicial resources across the vast array of cases coming before the courts. Some cases can be disposed of in less time, but some need more time. The WCL provides an estimate of judge-need to do the work at hand.

Relationship to Base Budget
This request represents a 1.4% increase to the trial court operations base budget.

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Key Measures

Nine additional judge units will permit the trial courts to manage and resolve cases effectively and without delay while also delivering quality services to the public.

Alternatives Considered

The Judicial Branch continually searches for innovative ways to resolve disputes more efficiently and more effectively, and to use public resources most wisely. However, as caseloads increase, so does the workload of judges and court staff. The Minnesota Judicial Branch has a constitutional obligation to process these cases.

Trial courts use retired judges on a limited basis to hear cases in the district court. There are, however, limitations to the use of retired judges. Limits on the trial court budget prohibit the use of retired judges for long-term assignments. Many of the "major cases" heard in the courts take months to resolve and a retired judge is not readily available for the life of the case.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,738	$4,966	$4,966	$4,966
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,738	$4,966	$4,966	$4,966

Request
The Trial Courts request $7.704 million in FY 2008-09 for strategic initiatives.

Background
In July 2005, the Minnesota Judicial Branch completed its transition from a county-funded confederation of trial courts to a unified, co-equal branch of state government operating under a single umbrella of state funding. In support of this change, the Minnesota Judicial Branch instituted a new governance structure with the creation of a Judicial Council to set administrative policymaking statewide. As one of its first tasks, the Judicial Council developed a new strategic plan for the judicial branch that sets forth a clear direction over the next three years to ensure the judicial branch operates as a unified and accountable third branch of government.

The new strategic plan includes three long-term goals for the court system:
- Access to Justice;
- Administering Justice for Effective Results; and
- Public Trust, Accountability and Impartiality.

These goals are the fundamental building blocks for the operation of the courts and anchor all other parts of the strategic plan. To further each of these goals, the strategic plan outlines ten priority initiatives for the 2007-2009 time period. Funding is requested in the Trial Courts for three of these ten priorities supporting the goals of equal access to the courts and accountability:
- expand resources for pro se litigants;
- adopt statewide performance goals for the judiciary; and
- integrate a judicial problem-solving approach for cases involving alcohol and other drug addicted offenders.

Expand Resources for Pro Se Litigants
The number of litigants who proceed without an attorney is on the rise both nationally and in Minnesota. The number of pro se defendants in Hennepin County's Housing Court, for example, is more than twice the number who use an attorney. The law and court processes are complex and difficult for non-lawyers to understand and navigate.

The Fourth District's self-help center serves 26,000 walk-in users annually. With a relatively modest investment of resources at that site, self-help services can be made available to pro se litigants statewide by providing a "virtual self-help center" on the state court website, public workstations in each courthouse for accessing the site, interactive software for completing forms, and telephone access to self-help staff. The biennial request is $622,000.

Adopt Statewide Performance Goals for the Judiciary
Establishing court performance goals and monitoring progress toward meeting those goals is necessary to ensure accountability of the judicial branch, improve overall operations of the court, and enhance the public's trust and confidence in the judiciary. The Judicial Council has identified six broad court performance goals: access to justice, timeliness, integrity and accountability, excellence, fairness and equity, and quality court workplace environment.

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Valid assessment of court performance against these critical goals and the integrity of the court's electronic record depend upon the accuracy, timeliness and completeness of the data collected within multiple information systems of the judicial branch. This proposal will fund the case-by-case data quality correction efforts at the trial court level in all 87 counties, undertaken at the direction of and in coordination with the state level data quality assurance unit to be housed in the state court administrator's office. The biennial request for the trial courts is $510,000.

Judicial Problem-Solving Approach for Alcohol and Other Drug Addicted Offenders
Persons who suffer from alcohol and other drug (AOD) addiction present a pervasive and growing challenge for the Minnesota Judicial Branch, and, in particular, its criminal courts. AOD use is a factor in 80-90% of Minnesota's criminal cases, but the impact of AOD offenders is not confined to any one case type; it is a pervasive problem in juvenile delinquency, child protection, and family and mental health cases as well. Methamphetamine production and use has grown at an alarming rate, adding urgency to the need to address the problem.

The financial costs to the state in adjudication, incarceration and treatment are substantial and rising. Felony drug cases rose from 5,035 in 1999 to 9,863 in 2005. In 7/1/89 6% (173) of Minnesota's prison inmates were drug offenders. By 7/1/05 drug offenders accounted for 25% of adult inmate population. Methamphetamine offenders grew from 230 on 7/1/01, to 1,127 on 7/1/05 (390%). Methamphetamine offenders accounted for 87% (897) of the 1,027-inmate increase in the drug offender population from FY 2001-05.

In recent years, more effective judicial strategies for dealing with AOD-dependent persons, and particularly criminal offenders, have evolved both in Minnesota and other states. Known as "problem-solving approaches", these strategies use the coercive power of the court in collaboration with prosecution, defense, probation and treatment providers to closely monitor the defendant's progress toward sobriety and recovery through ongoing treatment, frequent drug testing, regular court check-in appearances, and use of a range of immediate sanctions and incentives to foster behavioral change.

Positive cost-benefit ratios typically result for drug court participants who complete programs that adhere to established best practices. Evaluations conducted in other states with problem-solving courts show that recidivism is reduced as are incarceration costs. New York saw an average 29% decrease in recidivism three years after arrest for offenders. Likewise, New York estimates that $254 million in incarceration costs were saved by diverting 18,000 non-violent drug offenders to problem solving courts. Washington found that the average drug court participant produces approximately $6,800 in benefits - $3,800 in avoided criminal justice costs paid directly by taxpayers and $3,000 in estimated avoided costs to victims. California found that an investment of $14 million created a total cost avoidance of $43.3 million over a two year period – 425,014 jail days ($26 million) and 27,894 prison days ($13 million) were avoided.

The national drug court movement began in 1989. The number of drug courts in the U.S. has been growing at an increasing rate. However, Minnesota is behind other states in developing drug courts and other problem-solving courts. By the end of calendar year 2006, Minnesota is expected to have 21 drug and DWI courts. This request seeks funding to sustain current drug court operations, due to reductions in federal grants, and to develop 12 new drug courts by the end of the FY 2008-09 biennium. Local grant funds for justice system partners that participate in the current and planned drug courts is also requested as an integral component of this multi-disciplinary initiative. These recommendations are consistent with the Supreme Court's multi-disciplinary Chemical Dependency Task Force. The total biennial request for current and planned drug courts is $6,572,000. Of that amount, $3,371,000 is for local grants to justice system partners.

More information on the Judicial Council's strategic plan and report on judicial problem-solving approaches for AOD offenders can be found at http://www.courts.state.mn.us.

Relationship to Base Budget
This request represents a 1.7% increase to the biennial base budget for the Trial Courts.

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Key Measures

Minnesota's courts have a national reputation for professionalism, efficiency and innovation. This reputation has been earned by taking seriously the need to periodically assess judicial branch performance and identify new and innovative ways to more effectively handle cases and deliver quality services as cost effectively as possible. Each of the ten priorities contained the strategic plan, including the three priorities that seek state funding for the trial courts, will take place over the life of the plan and will have specific performance goals to evaluate their success. The plan is designed to expand the capacity of the judicial branch to perform the ongoing work of the courts by developing tools and strategies to increase efficiency and effectiveness.

Anticipated benefits for pro se litigants include improved quality of hearings due to better preparation and more accurate paperwork; increased access for non-English speakers, as self-help resources will be available in several languages; and improved trust in the system as a result of better understanding of court procedures.

Adoption of statewide court performance goals is a new initiative for the Minnesota Judicial Branch. The goal will be to determine key results and measurement tools associated with the six performance goals, ensure accuracy and completeness of underlying data, and develop and implement a plan to measure and report court performance.

The main objective for cases involving AOD-addicted offenders is reduced recidivism.

Alternatives Considered

Funding is requested in the Trial Courts for three of ten recently-adopted strategic plan initiatives. The remaining initiatives will be considered for internal reallocations within existing base funding. Failure to fund the three selected initiatives may result in delay or abandonment of these initiatives.

Any delays in addressing AOD offenders will result in additional public costs. Felony drug cases and meth cases are increasing significantly. Failure to address the addiction underlying many drug offenses creates a cycle of recidivism and an on-going drain on public resources. It costs approximately $28,000 per year to incarcerate an addicted offender, compared to approximately $7,000 to provide treatment services to the same individual.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Other Revenues:					
General	27,777	27,897	26,850	26,850	53,700
Total Non-Dedicated Receipts	**27,777**	**27,897**	**26,850**	**26,850**	**53,700**
Dedicated Receipts:					
Grants:					
Misc Special Revenue	17	0	0	0	0
Federal	480	408	408	408	816
Gift	121	25	0	0	0
Other Revenues:					
General	544	567	567	567	1,134
Miscellaneous Agency	4,160	0	0	0	0
Other Sources:					
Miscellaneous Agency	17	0	0	0	0
Total Dedicated Receipts	**5,339**	**1,000**	**975**	**975**	**1,950**
Agency Total Revenue	**33,116**	**28,897**	**27,825**	**27,825**	**55,650**

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Agency Purpose

The eight commissioners on Uniform State Laws participate, as Minnesota's members, in the activities of the National Conference of Commissioners on Uniform State Laws (NCCUSL). The NCCUSL is a 114-year-old organization of approximately 350 members representing all fifty states. It drafts state legislation in the area of private law, focusing primarily on areas of significant legal complexity where uniformity of law among the states is particularly important. The commissioners serve without compensation.

Core Functions

The core functions of the Uniform Laws Commission are the drafting of uniform acts and codes and the presentation of these acts and codes to the state legislature for enactment. The Uniform Laws Commission serves the state legislature by helping it on questions of complex private law. The Uniform Laws Commission has provided Minnesota such important law as the Uniform Commercial Code, the Uniform Probate Code, the Uniform Anatomical Gifts Act, the Uniform Trade Secrets Act, the Uniform Partnership Act, the Uniform Limited Partnership Act, and the Uniform Child Custody Jurisdiction and Enforcement Act.

Operations

The conference work is done by committees of commissioners that meet in two-and-a-half-day weekend drafting meetings over a two to four year period. These committees are advised by interested groups, including consumer groups, industry groups, and the American Bar Association. Committee drafts are presented for consideration by the full Uniform Laws Commission at two annual meetings before the acts are promulgated as uniform acts and submitted to the fifty state legislatures for enactment. A significant part of the energy of conference leadership is expended evaluating subjects suggested as appropriate for drafting projects. Suggestions are received from many sources and are always welcomed. The conference has a small staff of nine in a Chicago office.

Key Measures

Conference success is measured by adoption of its acts by state legislatures and the extent to which the conference can relieve legislatures of work by creating a community consensus on its draft acts. Legislators are the conference's constituency. Every state has enacted dozens of uniform acts. Minnesota, among the leaders, has more than 52 uniform acts and codes in its statutes today. During the 2007-08 Minnesota legislative session, the Minnesota commissioners will likely bring to the legislature for consideration the following acts: Uniform Arbitration Act, Uniform Mediation Act, Uniform Correction of Defamation Act, Uniform Environmental Covenants Act, Uniform Limited Liability Company Act, Uniform Nonjudicial Foreclosure Act, Uniform Estate Tax Apportionment Act, Uniform Real Property Recording Act, and Uniform Revised Anatomical Gift Act.

Budget

The NCCUSL is supported by dues paid by each state from legislative appropriations. The Minnesota appropriation covers its dues and reimbursement of the food, lodging and travel expenses of the Minnesota commissioners for attendance at the weeklong annual meeting. Total funding for the FY 2006-07 biennium is $96,000, which includes one-time funding of $6,000 to pay prior dues.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	51	45	45	45	90
Recommended	**51**	**45**	**58**	**52**	**110**
Change		0	13	7	20
% Biennial Change from 2006-07					14.6%
Expenditures by Fund					
Direct Appropriations					
General	51	45	58	52	110
Total	**51**	**45**	**58**	**52**	**110**
Expenditures by Category					
Other Operating Expenses	51	45	58	52	110
Total	**51**	**45**	**58**	**52**	**110**
Expenditures by Program					
Uniform Laws Cmsn	51	45	58	52	110
Total	**51**	**45**	**58**	**52**	**110**

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**45**	**45**	**45**	**90**
Subtotal - Forecast Base	**45**	**45**	**45**	**90**
Change Items				
Pay for Past and Increased Dues	0	13	7	20
Total Governor's Recommendations	**45**	**58**	**52**	**110**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$13	$7	$7	$7
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$13	$7	$7	$7

Recommendation
The Governor recommends $20,000 to pay for current remaining dues costs and anticipated increases in 2008 and 2009.

Background
State support is provided to the Uniform Laws Commission to pay for annual dues to the National Conference of Commissioners on Uniform State Laws and for reimbursement of expenses of Minnesota commissioners for their attendance and participation at the weeklong annual meeting of the Conference. The commissioners do not receive any other compensation for their service.

The Commission has remaining unpaid dues of $7,000 for 2007. This amount is included in the recommendation for FY 2008. Also, the total cost of current dues and reimbursements is expected to exceed the base appropriation by $6,000 in FY 2008 and $7,000 in FY 2009. The biennial recommendation of $20,000 is expected to cover these anticipated costs.

Relationship to Base Budget
The recommendation provides a 22% increase over the agency's base budget, although nearly one-third of the increase is one-time funding to pay for remaining current dues.

Key Measures
Funding the request will enable the Commission to continue their work with the National Conference and bring draft uniform language to the Minnesota legislature for its consideration. The Commission is likely to bring nine such acts to the 2007-08 Minnesota legislative session.

Statutory Change: Not Applicable

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MINNESOTA OFFICE OF HIGHER EDUCATION
reach higher

January 22, 2007

To the 2007 Legislature;

On behalf of Governor Pawlenty, I am pleased to submit the FY 2008-09 budget recommendations for higher education. These recommendations make significant new investments at the University of Minnesota and the Minnesota State College and Universities System (MnSCU), building on the gains of recent years so that we can continue to provide Minnesotans with a high quality, strategically-focused and accessible system of public postsecondary education. The Governor's recommendations strike a balance between support for institutions and support for the state grant program and other student-centered proposals such as the new ACHIEVE program.

The total recommended general fund appropriation for higher education, including the Office of Higher Education and the Mayo Clinic, is $3.2 billion. This amount is a 16.3% increase over FY 2006-07, and includes $276 million in new funding for the University of Minnesota and the MnSCU. Also included in that total is $50 million in performance funding, to support the work that the two systems are doing to move towards tangible and measurable outcomes.

Again this year, the Governor's budget invests in the strategic priorities of the University of Minnesota. As the primary academic research institution in the state, in FY 2006 the University of Minnesota brought in nearly $576 million of research funds to Minnesota from the federal government and other sponsors. The FY 2008-09 budget recommendations for the University include new funding for strategic investments in educating the health care workforce, for initiatives in translational research and in science and engineering to build a healthier society, for competitive compensation for faculty to attract and retain the best minds, and for continued research in biofuels.

In addition, the Governor's budget recommends $38 million of new funding for operating support of the University's research partnership in biotechnology and medical genomics with the Mayo Clinic. When this partnership was created, the Governor promised state support of $70 million over a five-year period, and we are pleased to recommend this final installment of state support for this important partnership.

The Governor's budget recommendations for MnSCU provide new resources to support their strategic direction and action plan. MnSCU plays a key role in educating Minnesota's workforce. The system serves about 34% of Minnesota's undergraduates at 32 colleges and universities located on 53 campuses. The recommendations and funding will allow MnSCU to continue to recruit and retain students, to meet critical workforce needs, especially in the areas of STEM education and in the biosciences, and to update its technology infrastructure, a key element in their ability to continue to advance online learning opportunities

We look forward to working with the Legislature in the coming months.

Sincerely,

Susan Heegaard
Director, Office of Higher Education

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Agency Purpose

The University of Minnesota is both the state's land-grant university, with a strong tradition of education and public service, and a major research institution, with faculty of national and international reputation. Its statutory mission is to "offer undergraduate, graduate, and professional instruction through the doctoral degree, and [to] be the primary state supported academic agency for research and extension services." (M.S. 135A.052)

The University of Minnesota, founded in 1851, has four campuses (Twin Cities, Duluth, Morris, Crookston), a developing campus in Rochester, six research and outreach centers, two biological stations, one forestry station and regional extension offices throughout the state.

The University of Minnesota is a multi-campus university. The chief operating officers for the Twin Cities campus also serve as the senior officers for the entire University.

The Twin Cities campus is one of the two largest campuses in the country in terms of enrollment (51,175 students) and also one of the most comprehensive. It is the state's major research campus and with more than $500 million annually in research grant awards, it accounts for more than 98% of all research expenditures at Minnesota's higher education institutions, both public and private.

The Duluth campus (10,496 students) is a comprehensive regional university that offers instruction through the master's degree and has unique research strengths in natural and fresh water resources.

The Morris campus (1,684 students) provides an innovative and high-quality residential undergraduate liberal arts education.

At A Glance

Governance:

The University of Minnesota is governed by a 12-member, legislatively appointed Board of Regents.

Statewide Presence:

- Four campuses (Crookston, Duluth, Morris, Twin Cities)
- One developing campus in Rochester
- Six research and outreach centers (Crookston, Grand Rapids, Lamberton, Morris, Rosemount, Waseca)
- Two biological stations (Lake Itasca, Cedar Creek)
- One forestry station (Cloquet)
- 18 regional University of Minnesota Extension Service offices

Annual Budget:

$2.8 billion (FY 2007 budgeted revenues)

Student Enrollment (Fall 2005):

40,474	Undergraduate
14,803	Graduate
3,707	Professional
6,505	Non-Degree
65,489	TOTAL for all campuses

Faculty and Staff (Fall 2005):

18,470	Faculty and Staff
13,453	Student Workers

The Crookston campus (2,134 students) provides career-oriented education at the baccalaureate level, primarily in poly-technical disciplines.

The developing campus in Rochester is focused on meeting the educational needs of the Rochester area at the upper division and post-baccalaureate levels.

Core Functions

The University of Minnesota's three mission activities are:

- teaching and learning,
- research and discovery, and
- outreach and public service.

Teaching and Learning: The University of Minnesota provides instruction through a broad range of educational programs that prepare undergraduate, graduate, and professional students for productive roles in society.

Research and Discovery: The University of Minnesota generates and preserves knowledge, understanding, and creativity by conducting research, scholarship, and artistic activity.

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Outreach and Public Service: The University of Minnesota extends and applies its knowledge and resources to society by making them accessible to the citizens of the state.

Operations

The University of Minnesota conducts its mission activities from its campuses and other facilities throughout the state. Each year, the University of Minnesota:

- provides instruction for more than 65,000 students;
- graduates more than 12,500 students, 34% with graduate or first professional degrees;
- conducts more than $500 million in research sponsored by the National Institutes of Health, the National Science Foundation, many other federal agencies, and numerous private companies and foundations; and
- reaches out to more than one million Minnesotans through various outreach and public service activities.

Budget

The University of Minnesota's FY 2007 budgeted revenues of $2.8 billion are primarily generated by five main sources:

State appropriations:	$644.0 million/29%
Tuition and fees:	$554.5 million/25%
Sponsored grants and contracts:	$546.4 million/25%
Sales and other revenue:	$203.3 million/ 9%
Gifts, endowment earnings, and other restricted sources:	$264.5 million/12%

The University of Minnesota's total state appropriation includes both a general unrestricted appropriation that supports the University's core operations and appropriations that are restricted to special purposes (e.g., University of Minnesota Extension Service).

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Environment & Natural Resource					
Current Appropriation	1,500	1,477	1,477	1,477	2,954
Recommended	**1,500**	**1,477**	**0**	**0**	**0**
Change		0	(1,477)	(1,477)	(2,954)
% Biennial Change from 2006-07					-100%
General					
Current Appropriation	591,191	619,579	619,579	619,579	1,239,158
Recommended	**591,191**	**619,579**	**687,175**	**707,405**	**1,394,580**
Change		0	67,596	87,826	155,422
% Biennial Change from 2006-07					15.2%
Health Care Access					
Current Appropriation	2,157	2,157	2,157	2,157	4,314
Recommended	**2,157**	**2,157**	**2,157**	**2,157**	**4,314**
Change		0	0	0	0
% Biennial Change from 2006-07					0%
Misc Special Revenue					
Current Appropriation	22,220	22,250	22,250	22,250	44,500
Recommended	**22,220**	**22,250**	**22,250**	**22,250**	**44,500**
Change		0	0	0	0
% Biennial Change from 2006-07					0.1%
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	1,175	1,802	0	0	0
General	591,191	619,579	687,175	707,405	1,394,580
Health Care Access	2,157	2,157	2,157	2,157	4,314
Open Appropriations					
Misc Special Revenue	22,237	22,250	22,250	22,250	44,500
Statutory Appropriations					
Miscellaneous Agency	7,747	5,842	7,113	8,067	15,180
Total	**624,507**	**651,630**	**718,695**	**739,879**	**1,458,574**
Expenditures by Category					
Other Operating Expenses	17,400	17,400	17,400	17,400	34,800
Local Assistance	607,107	629,380	696,445	717,629	1,414,074
Transfers	0	4,850	4,850	4,850	9,700
Total	**624,507**	**651,630**	**718,695**	**739,879**	**1,458,574**
Expenditures by Program					
Maintenance & Operations	591,191	619,579	649,175	707,405	1,356,580
Medical Education	24,394	24,407	24,407	24,407	48,814
Permanent University Fund	7,747	5,842	7,113	8,067	15,180
Lccmr / Mn Resources	1,175	1,802	0	0	0
U / Mayo Partnership	0	0	38,000	0	38,000
Total	**624,507**	**651,630**	**718,695**	**739,879**	**1,458,574**

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2007 Appropriations	**1,477**	**1,477**	**1,477**	**2,954**
Technical Adjustments				
One-time Appropriations		(1,477)	(1,477)	(2,954)
Subtotal - Forecast Base	**1,477**	**0**	**0**	**0**
Total Governor's Recommendations	**1,477**	**0**	**0**	**0**
Fund: GENERAL				
FY 2007 Appropriations	**619,579**	**619,579**	**619,579**	**1,239,158**
Technical Adjustments				
Current Law Base Change		0	1,330	1,330
Transfers Between Agencies		346	346	692
Subtotal - Forecast Base	**619,579**	**619,925**	**621,255**	**1,241,180**
Change Items				
Competitive Compensation	0	9,800	18,700	28,500
Health Workforce & Clinical Sciences	0	8,800	19,100	27,900
Science & Engineering	0	4,100	11,500	15,600
Environment, Ag Systems, Renewable Energ	0	3,100	8,400	11,500
Technology & Related Infrastructure	0	3,450	3,450	6,900
Performance Bonus	0	0	25,000	25,000
Biotech & Genomics Research Partnership	0	38,000	0	38,000
Total Governor's Recommendations	**619,579**	**687,175**	**707,405**	**1,394,580**
Fund: HEALTH CARE ACCESS				
FY 2007 Appropriations	**2,157**	**2,157**	**2,157**	**4,314**
Subtotal - Forecast Base	**2,157**	**2,157**	**2,157**	**4,314**
Total Governor's Recommendations	**2,157**	**2,157**	**2,157**	**4,314**
Fund: MISC SPECIAL REVENUE				
FY 2007 Appropriations	**22,250**	**22,250**	**22,250**	**44,500**
Subtotal - Forecast Base	**22,250**	**22,250**	**22,250**	**44,500**
Total Governor's Recommendations	**22,250**	**22,250**	**22,250**	**44,500**
Fund: MISC SPECIAL REVENUE				
Planned Open Spending	**22,250**	**22,250**	**22,250**	**44,500**
Total Governor's Recommendations	**22,250**	**22,250**	**22,250**	**44,500**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**5,842**	**7,113**	**8,067**	**15,180**
Total Governor's Recommendations	**5,842**	**7,113**	**8,067**	**15,180**

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Program Description

The University of Minnesota, through its land grant mission of teaching and learning, research and discovery, and outreach and public service, is dedicated to advancing knowledge and serving as a partner for the public good. To that end, the University is committed to a vision to transform itself into one of the world's top public research universities.

Each year, the University serves more than 60,000 students, conducts approximately $500 million in externally sponsored research, and reaches out to more than one million Minnesotans through public service activities. All of the various activities necessary to bring this three-part mission to life make up the "program" of maintenance and operations.

State appropriations to the University are allocated throughout the system. State funding supports the work on each campus, across all units, in each college, and across a wide variety of departments and centers. The state special appropriations are restricted to particular purposes as indicated in law, while the general operations and maintenance appropriation is unrestricted and is used to support a portion of the University's core cost of instruction, research, public service, academic support, institutional support, student services and support, and operation and maintenance of the physical plant. Combined, these functional categories of expense make up the total of University operations.

Population Served

The University of Minnesota provides services to students and citizens of the state. Some of the University's services are so far-reaching that citizens of the nation and the world are beneficiaries. The University's missions of teaching and learning, research and discovery, and outreach and public service are mutually reinforcing activities and often intersect in the delivery of services.

Program at a Glance

Instruction

Student Enrollment (Fall 2005):

40,474	undergraduate
14,803	graduate
3,707	professional
6,505	non-degree
65,489	TOTAL for all campuses

- Twelve academic programs rank in the top 15 nationally
- More than 12,700 degrees awarded in 2004-2005
- More than 78% of all Twin Cities freshman live on campus

Research

- $561 million in research grant awards in FY 2005; $394 million from federal agencies and the balance from private sources, industry, and state and local governments
- 98% of research and development conducted by higher education institutions in Minnesota is conducted at the University of Minnesota
- 48 patents issued to University of Minnesota researchers in 2005 and 79 new technologies licensed

Public Service

- More than one million people served annually
- 18 Regional Extension offices that serve all of Minnesota
- Six research and outreach centers, two biological stations, one forestry station in the state

The *instructional mission* serves students throughout their lifetimes and is delivered in different modalities—from classroom instruction, to the Internet, to outreach activities in local communities. More than 60,000 students enroll in undergraduate, graduate, and professional degree programs at the University. Programs at the University can be viewed at http://www1.umn.edu/twincities/02_academics.php#1 Talented secondary students receive instruction through the Post-Secondary Education Options Act (PSEO), the Talented Youth Mathematics program, the Center of American Indian and Minority Health SuperStars Program, and many other programs. Adult learners have opportunities through online courses, professional development courses, and certificate programs, as well as educational outreach programs in communities throughout the state.

Research conducted at the University of Minnesota benefits the state and all of society. Research fuels job creation—for every $1 million spent on university-based research, 38.1 jobs are created in Minnesota. Research expands the sum of human knowledge and research labs provide the training ground for future scientists. Research at the University has resulted in discoveries and inventions in agriculture, medicine, engineering, and other fields. Many start-up companies have been formed and technologies licensed as a result of University research. Discoveries — from seed stock to plant varieties, from animal vaccines to drugs for humans, from

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medical devices to engineering applications — all contribute to the high quality of life in Minnesota. Current University of Minnesota research programs are sponsored by hundreds of federal agencies, private foundations, and private companies. These sponsors are among the many who are served by the University. Highlights of FY 2005 research activity are at
http://www.research.umn.edu/communications/publications/documents/OVPRAnnualRpt05.pdf

The *outreach and public service mission* of the University serves communities throughout the state. Outreach programs serve as a way to transfer and apply knowledge between the University and society. A full range of University expertise is offered to respond to the diverse needs of the citizens of the state. More than one million people are served annually by University public service activities. The largest program is the University of Minnesota Extension Service. Examples of the wide range of other programs available are: mini-medical school, a swine disease eradication program, telemedicine, economic development for northeastern Minnesota, a health care purchasing alliance, cooperative programs with school districts, and technology training. The Minnesota Geological Survey, the Veterinary Diagnostics Laboratory, and the Center for Urban and Regional Affairs are just a few of the centers at the University offering outreach services.

Services Provided

The University of Minnesota's three mission activities are:

- teaching and learning,
- research and discovery, and
- outreach and public service.

Teaching and Learning: The University of Minnesota provides instruction through a broad range of educational programs that prepare undergraduate, graduate, and professional students for productive roles in society.

Research and Discovery: The University of Minnesota generates and preserves knowledge, understanding, and creativity by conducting research, scholarship, and artistic activity.

Outreach and Public Service: The University of Minnesota extends and applies its knowledge and resources with society by making them accessible to the citizens of the state.

Historical Perspective

Over the past decade, the University has given high priority to continuing the improvement of its undergraduate, graduate, and professional programs as can be measured by the success of its students (e.g., increased applications, quality of applicants, student satisfaction, and graduation and retention rates). The University offers unique opportunities to its undergraduates through its Undergraduate Research Opportunities Program, intensive seminars with distinguished faculty, and a wealth of disciplines for study, including many cutting-edge interdisciplinary fields. The University has also expanded residential learning—an educational model in which students with shared academic interests choose to reside together. And in cooperation with the state of Minnesota, the University has invested more than $1 billion in capital improvements on all of its campuses to enhance the learning and research environments for students.

The University continues to grow its highly ranked research endeavor to meet the needs of the state and nation. In FY 2005, the University was awarded $561 million in grants to pursue research activities. Included in this figure is approximately $394 million from federal agencies; additional grants were received from business and industry as well as state and local governments. The University was issued 48 patents in FY 2005 and currently has more than 680 active licenses with industry. The University is ranked fifth nationally for revenue generation from its intellectual property and was recently ranked as the fourth strongest "technology pipeline" in the country.

Throughout the decades, the University has fulfilled its mission as the state's land-grant university through numerous public service and outreach activities. The best known, the University of Minnesota Extension Service, is one of the principle ways in which the University delivers the practical applications of its research to the citizens of the state. Through the commercialization of technology, continuing education programs, medical and dental

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clinics, and numerous other public engagement activities, the University of Minnesota enriches the lives of all Minnesotans.

Key Measures

In 2004, the University embarked on a journey to achieve a higher standard of academic excellence, with a goal of becoming one of the top three public research universities in the world within a decade. Critical to obtaining this goal is a system of metrics and measurements by which to evaluate progress. The University Plan, Performance, and Accountability Report (available at http://www.academic.umn.edu/accountability/reports/2006/index.html) is a comprehensive report that aligns the University's aspirational goal with a set of strategic measures.

Program Funding

The general state appropriation for the University of Minnesota totaled $556.2 million in FY 2007 (which included $5 million for the developing campus at Rochester). In addition to this general appropriation, the University receives restricted state funding for specific purposes at the University. Among these restricted appropriations are the four separate appropriations called State Specials ($63.3 million in FY 2007); revenue from a portion of the cigarette tax that provides funding to the Academic Health Center ($22.3 million in FY 2007); MinnesotaCare funds for primary care resident educational programs ($2.2 million in FY 2007); and various Legislative-Citizen Commission on Minnesota Resources (LCMR) funded projects.

Combined, these general and restricted sources of state funding support approximately 25% of the University's FY 2007 total budget.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	591,191	619,579	619,579	619,579	1,239,158
Technical Adjustments					
Current Law Base Change			0	1,330	1,330
Transfers Between Agencies			346	346	692
Subtotal - Forecast Base	591,191	619,579	619,925	621,255	1,241,180
Governor's Recommendations					
Competitive Compensation		0	9,800	18,700	28,500
Health Workforce & Clinical Sciences		0	8,800	19,100	27,900
Science & Engineering		0	4,100	11,500	15,600
Environment, Ag Systems, Renewable Energ		0	3,100	8,400	11,500
Technology & Related Infrastructure		0	3,450	3,450	6,900
Performance Bonus		0	0	25,000	25,000
Total	**591,191**	**619,579**	**649,175**	**707,405**	**1,356,580**
Expenditures by Fund					
Direct Appropriations					
General	591,191	619,579	649,175	707,405	1,356,580
Total	**591,191**	**619,579**	**649,175**	**707,405**	**1,356,580**
Expenditures by Category					
Other Operating Expenses	17,400	17,400	17,400	17,400	34,800
Local Assistance	573,791	602,179	631,775	690,005	1,321,780
Total	**591,191**	**619,579**	**649,175**	**707,405**	**1,356,580**
Expenditures by Activity					
Maintenance & Operations	591,191	619,579	649,175	707,405	1,356,580
Total	**591,191**	**619,579**	**649,175**	**707,405**	**1,356,580**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$9,800	$18,700	$18,700	$18,700
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$9,800	$18,700	$18,700	$18,700

Recommendation
The Governor recommends $9.8 million in FY 2008 and $18.7 million in FY 2009 from the General Fund to the University of Minnesota to provide the full requested amount for the University's Competitive Compensation initiative. This initiative provides funding the University will use to address competitive market compensation pressures for a targeted group of educators and researchers.

Background
The Governor supports the University of Minnesota's continuing efforts to maintain and improve its excellence in research, especially in targeted areas where the university has a comparative advantage and that are consistent with the University's strategic goals. This recommendation improves the University's ability both to recruit talented new faculty and researchers, and to retain its distinguished faculty and researchers by providing resources it can use to give special compensation to this targeted group.

Relationship to Base Budget
Overall, the Governor's $153.4 million total package of new initiatives at the University of Minnesota will result in a 15.2% increase over the University's General Fund appropriated amounts for the 2006-07 biennium.

(When the $38 million appropriation for the Biotech Partnership is excluded, the Governor's remaining package of $115.4 million is a 12% increase over the University of Minnesota's FY 2006-07 appropriations.)

Key Measures
The recommendation:

- improves the University of Minnesota's ability to retain faculty being recruited by other institutions
- improves the University's ability to attract talented new faculty and researchers
- supports foundational efforts to maintain or improve the University's ability to attract federal and industry research funding

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$8,800	$19,100	$19,100	$19,100
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$8,800	$19,100	$19,100	$19,100

Recommendation
The Governor recommends $8.8 million in FY 2008 and $19.1 million in FY 2009 from the General Fund to the University of Minnesota to provide the full requested amount for the University's Health Workforce and Clinical Sciences initiative.

Background
The Governor recognizes the challenges Minnesota faces of because of shortages in the health professional workforce and supports efforts by the state's public higher education systems to increase their capacity to educate and train more health professionals in order to more effectively respond to the state's need for these workers. This initiative has the potential to expand enrollments in allied health programs, to increase the number of nurses who will be prepared to teach future nurses, and to change and improve the way health education in conducted across the state.

The Governor also supports the University of Minnesota's mission as the state's primary research university, and recommends funding the clinical sciences elements of this initiative to enable the University to maintain and improve its excellence and competitiveness in research, and to increase the speed with which basic research is translated into new clinical practice and treatment.

Relationship to Base Budget
Overall, the Governor's $153.4 million total package of new initiatives at the University of Minnesota will result in a 15.2% increase over the University's General Fund appropriated amounts for the 2006-07 biennium.

(When the $38 million appropriation for the Biotech Partnership is excluded, the Governor's remaining package of $115.4 million is a 12% increase over the University of Minnesota's FY 2006-07 appropriations.)

Key Measures
The recommendation:

- increases enrollments in allied health programs and advanced practice nursing
- increases the likelihood of federal and industry research funding
- improves the chances that new medical products and therapies, and new companies and jobs, will benefit the state

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$4,100	$11,500	$11,500	$11,500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$4,100	$11,500	$11,500	$11,500

Recommendation
The Governor recommends an increase of $4.1 million in FY 2008 and $11.5 million in FY 2009 from the General Fund to the University of Minnesota to provide the full requested amount for its Science and Engineering initiative.

Background
The Governor supports the University of Minnesota's mission as the state's primary research university, and recommends funding this initiative to enable the University to maintain and improve its excellence and competitiveness in research, especially in areas where the University has a comparative advantage. This initiative has the potential to keep the University of Minnesota at the forefront of nanotechnology research and to encourage cross-disciplinary collaborations, as well as to expand engineering offerings at the University of Minnesota Duluth.

The funding will enable the university to create a new resource center for medical device development, move forward with translational research in neuroscience, develop applications in three areas of nanotechnology, and create an institute to drive cross-disciplinary research in science and engineering.

Relationship to Base Budget
Overall, the Governor's $153.4 million total package of new initiatives at the University of Minnesota will result in a 15.2% increase over the University's General Fund appropriated amounts for the 2006-07 biennium.

(When the $38 million appropriation for the Biotech Partnership is excluded, the Governor's remaining package of $115.4 million is a 12% increase over the University of Minnesota's FY 2006-07 appropriations.)

Key Measures
The recommendation:

- supports the University's foundational efforts to maintain the state's position in the medical device industry
- increases federal and industry research funding
- fosters collaborative research

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$3,100	$8,400	$8,400	$8,400
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$3,100	$8,400	$8,400	$8,400

Recommendation
The Governor recommends $3.1 million in FY 2008 and $8.4 million in FY 2009 from the General Fund to the University of Minnesota to provide the full requested amount for its Environment, Agricultural Systems, and Renewable Energy initiative.

Background
The Governor supports the University of Minnesota's mission as the state's primary research university, as well as its mission to conduct outreach and education activities such as those undertaken by the Minnesota Extension Service. The Institute on the Environment and the Renewable Energy portions of this initiative have the potential to support continued research in biofuels and to address other environmental challenges. Funding for the agricultural systems portion of this initiative will enable university researchers and Extension Service experts to continue to work to protect Minnesota farmers from emerging threats to crops. It will also allow the University to improve its ability to provide diagnostic testing and animal disease monitoring through the Veterinary Diagnostic Laboratory.

Relationship to Base Budget
Overall, the Governor's $153.4 million total package of new initiatives at the University of Minnesota will result in a 15.2% increase over the University's General Fund appropriated amounts for the 2006-07 biennium.

(When the $38 million appropriation for the Biotech Partnership is excluded, the Governor's remaining package of $115.4 million is a 12% increase over the University of Minnesota's FY 2006-07 appropriations.)

Key Measures
The recommendation:

- supports the state's interest in advancing research on developing biofuels
- increases the protection of animal agricultural businesses and crops in the state from emerging diseases and pests

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$3,450	$3,450	$3,450	$3,450
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$3,450	$3,450	$3,450	$3,450

Recommendation
The Governor recommends $3.45 million in FY 2008 and $3.45 million in FY 2009 from the General Fund to the University of Minnesota to provide funding for the University's Technology and Related Infrastructure initiative.

Background
The Governor supports the University of Minnesota's mission as the state's primary research university, and recommends funding this initiative to enable the University to maintain and improve its excellence and competitiveness in research, especially in areas where the University has a comparative advantage. This initiative supports and improves the University of Minnesota's ability to attract research funding by allowing the University to invest in high performance computer networks and national research connectivity.

Relationship to Base Budget
Overall, the Governor's $153.4 million total package of new initiatives at the University of Minnesota will result in a 15.2% increase over the University's General Fund appropriated amounts for the 2006-07 biennium.

(When the $38 million appropriation for the Biotech Partnership is excluded, the Governor's remaining package of $115.4 million is a 12% increase over the University of Minnesota's FY 2006-07 appropriations.)

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	$25,000	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	$25,000	0	0

Recommendation
The Governor recommends $25 million in FY 2009 from the General Fund to provide a one-time funding bonus for the University of Minnesota, encouraging public review and understanding of the University and its performance. This recommended funding would be available to the university once it demonstrates that it has met at least three of five University of Minnesota-specific performance goals, listed below in the Key Measures section. The University of Minnesota must report to the chairs of the legislative committee divisions with jurisdiction over its budget and to the Office of Higher Education (OHE) no later than April 1, 2008. When the University demonstrates that it has attained the specified goals, and OHE certifies that information to the commissioner of finance, this appropriation would be released.

Background
The goal of the University's "Transforming the U" initiative is for the university to become one of the top three public research universities by 2015. The university posts information about this strategic positioning initiative on its "Transforming the U" web site. (http://www1.umn.edu/systemwide/strategic_positioning/) The university is using a complex array of 30 strategic positioning task forces to develop recommendations for how the university can reach its aspirational goal. One particular task force, the Metrics and Measurement Task Force, identified ways to measure the university's progress towards the goal, both at the university-wide level and at the lower levels of collegiate and administrative units and coordinate campuses. As the various performance measures are implemented they will provide evidence of whether the university is achieving its goals.

The University of Minnesota has also done significant work to collect and report performance data as part of its "Accountable to U" initiative. (http://www.academic.umn.edu/accountability/index.html) In order to ensure relevance and reliability, the Governor's recommended performance goals are taken from, or are related to, measures that the university tracks as part of its accountability work.

Relationship to Base Budget
This $25 million initiative represents 16.3% of the Governor's proposed $153.4 million increase in state funding for the University of Minnesota. Overall, the Governor's $153.4 million total package of new initiatives at the University of Minnesota will result in a 15.2% increase over the university's General Fund appropriated amounts for the 2006-07 biennium.

(When the $38 million appropriation for the Biotech Partnership is excluded, the Governor's remaining package of $115.4 million is a 12% increase over the university's FY 2006-07 appropriations.)

Key Measures
In order to access this funding, the university must demonstrate that it has attained at least three of the following quantifiable performance goals:

- Increase national faculty awards in arts, humanities, science, engineering and health by 5%
- Maintain or improve rank in national share of NIH funding
- Increase number of post doctoral appointees by 5%
- Increase support from key funders of renewable energy research by 5%

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- Increase by five the number of "high value licenses" to a Minnesota-based commercial partner and/or the number of "venture-quality start-up companies" in Minnesota that are identified and developed by the university's Office of Technology Commercialization

Statutory Change: Not Applicable

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UNIVERSITY OF MINNESOTA

Program: U / MAYO PARTNERSHIP

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Biotech & Genomics Research Partnership		0	38,000	0	38,000
Total	**0**	**0**	**38,000**	**0**	**38,000**
Expenditures by Fund					
Direct Appropriations					
General	0	0	38,000	0	38,000
Total	**0**	**0**	**38,000**	**0**	**38,000**
Expenditures by Category					
Local Assistance	0	0	38,000	0	38,000
Total	**0**	**0**	**38,000**	**0**	**38,000**
Expenditures by Activity					
U/Mayo Partnership	0	0	38,000	0	38,000
Total	**0**	**0**	**38,000**	**0**	**38,000**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$38,000	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$38,000	0	0	0

Recommendation
The Governor recommends a one-time appropriation of $38 million in FY 2008 to the University of Minnesota for operating funds for the Minnesota Partnership for Biotechnology and Medical Genomics, completing his commitment to provide $70 million in operating funds for the Partnership over five years.

Background
The Minnesota Partnership for Biotechnology and Medical Genomics is a collaborative venture between the University of Minnesota, the Mayo Clinic and the state. The partnership's goal is to position Minnesota as a leader in biotechnology and medical genomics applications that will result in important new medical discoveries and support the development of new businesses and jobs in the biosciences industry in the state. Research projects funded by the partnership advance medical research and discovery in disease, disease prevention, diagnosis and therapeutics. Projects selected for funding are typically expected to seek additional outside funding.

When the partnership was created it received a $2 million state General Fund appropriation in the FY 2004-05 biennial budget. The legislature later appropriated $15 million for the partnership for FY 2006, and an additional $15 million for FY 2007. The Governor's recommended new $38 million appropriation provides the final installment of state operating funds to support the work that is underway through the partnership.

State funding for this partnership has been presented and discussed in varied venues at the legislature, sometimes as higher education and sometimes as economic development. The Governor is presenting this final installment as part of the higher education budget for FY 2008-09 due to its close connection with other University of Minnesota initiatives.

Relationship to Base Budget
Overall, the Governor's $153.4 million total package of new initiatives at the University of Minnesota will result in a 15.2% increase over the University's General Fund appropriated amounts for the 2006-07 biennium.

(When this $38 million appropriation for the Biotech Partnership is excluded, the Governor's remaining package of $115.4 million is a 12% increase over the University of Minnesota's FY 2006-07 appropriations.)

Statutory Change: Not Applicable

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Health Care Access					
Current Appropriation	2,157	2,157	2,157	2,157	4,314
Subtotal - Forecast Base	2,157	2,157	2,157	2,157	4,314
Total	**2,157**	**2,157**	**2,157**	**2,157**	**4,314**
Misc Special Revenue					
Current Appropriation	22,220	22,250	22,250	22,250	44,500
Subtotal - Forecast Base	22,220	22,250	22,250	22,250	44,500
Total	**22,220**	**22,250**	**22,250**	**22,250**	**44,500**
Expenditures by Fund					
Direct Appropriations					
Health Care Access	2,157	2,157	2,157	2,157	4,314
Open Appropriations					
Misc Special Revenue	22,237	22,250	22,250	22,250	44,500
Total	**24,394**	**24,407**	**24,407**	**24,407**	**48,814**
Expenditures by Category					
Local Assistance	24,394	19,557	19,557	19,557	39,114
Transfers	0	4,850	4,850	4,850	9,700
Total	**24,394**	**24,407**	**24,407**	**24,407**	**48,814**
Expenditures by Activity					
Mn Care Medical Education	2,157	2,157	2,157	2,157	4,314
Cig Tax Medical Education	22,237	22,250	22,250	22,250	44,500
Total	**24,394**	**24,407**	**24,407**	**24,407**	**48,814**

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Environment & Natural Resource					
Current Appropriation	1,500	1,477	1,477	1,477	2,954
Technical Adjustments					
One-time Appropriations			(1,477)	(1,477)	(2,954)
Subtotal - Forecast Base	1,500	1,477	0	0	0
Total	**1,500**	**1,477**	**0**	**0**	**0**
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	1,175	1,802	0	0	0
Total	**1,175**	**1,802**	**0**	**0**	**0**
Expenditures by Category					
Local Assistance	1,175	1,802	0	0	0
Total	**1,175**	**1,802**	**0**	**0**	**0**
Expenditures by Activity					
Lccmr/Mn Resources	1,175	1,802	0	0	0
Total	**1,175**	**1,802**	**0**	**0**	**0**

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Miscellaneous Agency	7,747	5,842	7,113	8,067	15,180
Total	**7,747**	**5,842**	**7,113**	**8,067**	**15,180**
Expenditures by Category					
Local Assistance	7,747	5,842	7,113	8,067	15,180
Total	**7,747**	**5,842**	**7,113**	**8,067**	**15,180**
Expenditures by Activity					
Permanent Unversity Fund	7,747	5,842	7,113	8,067	15,180
Total	**7,747**	**5,842**	**7,113**	**8,067**	**15,180**

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University of Minnesota
2008-09 Biennial Budget Request

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$22,700	$44,300	$44,300	$44,300
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$22,700	$44,300	$44,300	$44,300

Request

The University is committed to making investments in the "human capital" of the institution as one of the primary means to ensuring continued quality and competitiveness. In support of this objective, the university requests $22.7 million in FY 2008 and an additional $21.6 million in FY 2009 to support the costs of providing a general compensation increase for university employees.

Background

The university is a people-driven institution. It is the faculty, staff and students that represent the engine: conducting the research, instructing and serving the students, developing the programs, maintaining the infrastructure, and transacting the business. As a result, approximately two-thirds of the university's annual operating budget is devoted to salary and fringe benefit expenses.

Over the last two biennia, compensation increases at the university have been low to modest. Each year, salary adjustments for non-contract employees are largely distributed on a merit basis to reward performance and provide positive incentives for people to reach their potential. As a result, descriptions of general salary increases at the university should be understood as increases in the salary pools. General salary pool increases in the recent past have been set at the following levels:

FY 2004	0.0%	Increase
FY 2005	2.5%	Increase
FY 2006	3.0%	Increase
FY 2007	3.0%	Increase

In the year the university experienced a reduction in state appropriations (FY 2004), there was a general wage freeze at the university.

This request to the state for the 2008-2009 biennium is based on a general salary increase in each year of 3.25% plus the associated fringe benefit costs. In recognition of the critically important role employees play in achieving the strategic goals of the university, we are requesting $22.7 million in FY 2008 and an additional $21.6 million in FY 2009 – 65% of the projected increase in costs on state and tuition funded salaries. The university will fund the remaining 35% with the proposed increase in tuition. Without recognizing a modest increase in the cost of living and providing rewards for exemplary performance, the university stands to lose very talented employees and therefore jeopardize its success in becoming one of the top three public research universities in the world.

Relationship to Base Budget

Funding the university's initiative requests of $58.9 million in FY 2008 and $64.5 million in FY 2009 will increase the university's annual recurring General Fund appropriations to $678,825,000 and $744,655,000 respectively, or $1,423,480,000 for the biennium. This represents a biennial funding level that is 14.6% higher than the FY 2007 appropriation base carried forward, and an annual increase in appropriation of 9.5%.

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Key Measures

⇒ The university will be able to maintain its competitive position in regard to employee compensation levels compared to local markets and other Big 10 universities.

⇒ The university will be able to retain valuable employees and remain competitive in recruiting for employee classifications other than faculty.

Alternatives Considered

This request is the result of an inclusive and comprehensive process for setting priorities consistent with the stated goals of the university's strategic positioning activities. The initiatives presented in this request have been identified as critical for the University of Minnesota and the state: improving the university's competitiveness in the world and fostering economic development in the state. The university will continue to improve management efficiencies and will dedicate resources to the operation of facilities, inflationary support costs and selected investments in partnership with the state.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$8,100	$16,800	$16,800	$16,800
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$8,100	$16,800	$16,800	$16,800

Request

The University of Minnesota is one of the most comprehensive public universities in the United States and ranks among the most prestigious. The University of Minnesota's undergraduate, graduate, and professional programs provide unparalleled opportunities for learning and prepare the next generation for leadership in the state and around the world. Distinctive educational programs are enhanced by a wealth of other opportunities that only a major research university can offer.

To enhance the educational experience of all University of Minnesota students, a number of initiatives are proposed. To support these initiatives, the university requests $8.1 million in FY 2008 and an additional $8.7 million in FY 2009. By expanding capacity in these areas these initiatives will advance the university's strategic goals.

Background

Teaching and learning at the University of Minnesota are defined by vast technology resources, including the libraries; unique interdisciplinary studies; and world-renowned professors and researchers contributing new knowledge while inspiring and preparing the next generation of leaders. To ensure that talented students can find a place at the university, that students have access to the best resources, and that all students succeed, four initiatives are proposed.

Student Success

To ensure that the best-prepared high school graduates, and the most promising and talented graduate and professional students choose the distinctive educational programs at the University of Minnesota, a number of educational enhancements and new initiatives are proposed.

Baccalaureate Writing Initiative

Strong communications skills, including good writing, are demanded of every college graduate. The university took the first important step in enhancing writing when writing-intensive courses were created in all fields of study. This initiative is the next step—to improve undergraduate writing through the development of a writing-enriched, integrated curriculum within every major.

Expanded Academic Support and Career Advising

Academic advising is an important part of the undergraduate student experience. This initiative will provide additional support to students with their decision-making—in exploring majors, changing colleges or transitioning to the world of work—through adding advisors, career counselors and technology enhancements.

Campus Honors Program

Campus-wide honors programs will unify and strengthen existing collegiate-based honors programs by creating a highly challenging curriculum that will attract a greater range of diverse and talented students. The University Honors Program will create opportunities for students to experience a close community with other honors students, mentored by faculty, and with all the research and career opportunities of a vibrant research university.

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Undergraduate research opportunities
The University of Minnesota provides distinctive opportunities for undergraduates to engage with faculty in cutting-edge research. The Undergraduate Research Opportunities Program annually provides stipends to nearly 400 students to participate in faculty-led research or creative activities. This initiative seeks to increase the participation rate of undergraduates.

Graduate Block Grants and Fellowships
Graduate and professional education is at the center of any successful research university. Graduate and professional students advance the university's research agenda while receiving the training to be tomorrow's teachers and researchers. To recruit and support the most talented graduate and professional students, the university proposes further investment in block grants and scholarships to provide financial support; enhanced recruiting, including a commitment to recruit students from traditionally underrepresented groups; and expanded academic support, career advising, and placement assistance for graduate and professional students.

Founders Opportunity Scholarship
Scholarships are part of a multi-pronged strategy to maintain affordability and financial access to the university. The Founders Opportunity Scholarship Program seeks to ensure that students from every income level and background can find a place at the university by covering the full cost of tuition and fees for Pell-eligible students from low to moderate-income families. By expanding this program, the University can enhance the recruitment, retention and support of talented students.

American Indian Programs
The National Center for Educational Statistics estimates that American Indians currently make up less than one percent of the teaching population. But in 1999, national performance targets called for the nation to place 18% of principals and 20% of American Indian teachers in public schools with high proportions of American Indian students.

The University of Minnesota, Duluth is uniquely positioned to address this issue, with its strong tradition of American Indian programs. In teacher education, a language-based indigenous curriculum is offered, aimed at the retention and graduation of American Indian students. An essential component of this nationally accredited and Minnesota Board of Teaching approved program is the opportunity for clinical experiences that give students the opportunity to practice and apply theory. With indigenous language-based programs, it is also important that students be able to use the indigenous language in the clinical experience.

This initiative will support the startup of an Ojibwe Language Nest, a language immersion school program for kindergartners that will also provide a placement site for teachers in early childhood and elementary teacher training programs. It is anticipated that the program will eventually apply for charter school status. Additional investments will be made in the K-8 Native teacher training program at two off campus reservation sites and one on campus site.

Libraries
The second major initiative calls for an investment in the University of Minnesota Libraries. The University of Minnesota Libraries is one of the university's and the state's greatest intellectual and capital assets. Housed in 14 facilities on the Twin Cities campuses, the University Libraries' collections contain 6.2 million print volumes, nearly 37,000 serial subscriptions, 6.3 million microforms, 2.65 million government documents, and 423,000 maps, making it the 16th largest research library in North America.

The University of Minnesota Libraries is a statewide resource. Circulation exceeds one million items annually, with the general public accounting for nearly 20% of the onsite use of the facilities and nearly 10% of the circulation of books. The Association of Research Libraries reports that between 1986 and 2002, the cost for subscriptions to academic and research journals has risen a staggering 227%, compared to an overall consumer price index increase of 64% for that same period. This initiative would sustain current commitments of books, journals, and electronic licenses and build this vital resource for the state through new acquisitions.

Institute for Advanced Study

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Major problems confronting modern society are increasingly complex, requiring input and innovation from multiple academic disciplines. The University of Minnesota has outstanding disciplinary strengths and is committed to implementing bold programs to enhance interdisciplinary scholarship. Fostering interdisciplinary collaboration requires new approaches to administration, teaching, research and outreach.

The Institute for Advanced Study will join scholars across the disciplines in order to address major societal and cultural issues. As an incubator at the intersection of the arts, humanities, and social sciences, the institute will promote and support distinguished, path-breaking research and creative work by university scholars and artists of distinction.

Research on societal challenges, such as changing technologies of population surveillance and administration, immigration policy will benefit the citizens of Minnesota while addressing issues of national and international urgency.

Academic Program Success
To ensure that the university's core academic programs remain strong and competitive, a pool of funds is needed to address the highest priorities surfacing through collegiate and campus strategic planning processes. These priorities often represent "tipping point" opportunities for the university to invest in programs that are on the cusp of prominence, where relatively modest investments could significantly enhance the university's standing and contributions. Investment will be targeted to ensure that the programs and departments involved continue to be at the cutting edge of their activities and disciplines.

Relationship to Base Budget
Funding the university's initiative requests of $58.9 million in FY 2008 and $64.5 million in FY 2009 will increase the university's annual recurring General Fund appropriations to $678,825,000 and $744,655,000 respectively, or $1,423,480,000 for the biennium. This represents a biennial funding level that is 14.6% higher than the FY 2007 appropriation base carried forward, and an annual increase in appropriation of 9.5%.

Key Measures
⇒ Increased emphasis on writing, advising and career counseling.
⇒ Increased academic support for undergraduates.
⇒ Increased ability to recruit talented students.
⇒ Increased participation of undergraduates in faculty-led research.
⇒ Increased support for graduate and professional students.
⇒ Increased financial support for students from low- to moderate-income families.
⇒ Increased graduation and retention of American Indian students.
⇒ Increased commitment of resources to library acquisitions.
⇒ Increased interdisciplinary collaboration.

Alternatives Considered
This request is the result of an inclusive and comprehensive process for setting priorities consistent with the stated goals of the University's Strategic Positioning activities. The initiatives presented in this request have been identified as critical for the University of Minnesota and the state: improving the university's competitiveness in the world and fostering economic development in the state. The university will continue to improve management efficiencies and will dedicate resources to the operation of facilities, inflationary support costs and selected investments in partnership with the state.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$9,800	$18,700	$18,700	$18,700
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$9,800	$18,700	$18,700	$18,700

Request

Competitive compensation is essential to attracting and retaining world-class faculty and staff, who in turn attract Minnesota's best students and generate significant research funds, patentable ideas and licensable technology for the state and the university. To support this extremely critical objective, the university requests $9.8 million in FY 2008 and an additional $8.9 million in FY 2009 for a pool of funds to address competitive market compensation issues for a select group of the university's most stellar educators and researchers.

Background

In building the university's overall compensation strategy, it is important to recognize the very pivotal role faculty play in the institution. Distinguished faculty are essential for first-rate teaching and research. It is the faculty, the many people devoted each day to instruction and discovery, that serve as the cornerstone of the university. It is essential that planning and budgeting efforts focus on attracting and retaining the best and the brightest. In turn, by securing a world-class faculty, the university will be better placed to attract Minnesota's best students, attract research funds, stimulate patentable ideas, and develop licensable technology.

Finding and keeping talented faculty is a fluid process, based on a continual examination of the university' academic directions. Each year, the university hires approximately 120 new faculty to replace those who have left or retired. The university is also confronted with numerous serious retention decisions as top faculty in fields with competitive advantage are recruited nationally by other premier public and private institutions. When the university fails to compete in hiring and retention, there are long-term effects on the quality of departments and the university's ability to help the state of Minnesota maintain and improve its economic advantage and social and cultural quality of life.

In the last two years, the university invested $13 million in providing market driven compensation adjustments to its best educators and researchers. Funds were awarded based on the following principles:

- outstanding performance should be rewarded as measured in a manner appropriate for and indicative of the discipline(s) and is consistent with the university's strategic goals;
- the most distinguished segment of the faculty, as determined by performance and national reputation at career stage, should be targeted; and
- awards should address compensation issues in units that are of high priority, given the university's strategic direction and goals, as well as in units that face sharp competitive pressures and issues in recruiting and retaining.

In each of the last two years, more than 500 faculty (approximately 22% of the total) and other academic professionals whose primary responsibility is teaching and research, received special compensation through this program - over and above their merit increases awarded through the general compensation program. Awards were made across all campuses and across all ranks of faculty. The request presented here will allow the university to continue this successful, targeted approach for addressing the most critical needs related to faculty.

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Relationship to Base Budget

Funding the university's initiative requests of $58.9 million in FY 2008 and $64.5 million in FY 2009 will increase the university's annual recurring General Fund appropriations to $678,825,000 and $744,655,000 respectively, or $1,423,480,000 for the biennium. This represents a biennial funding level that is 14.6% higher than the FY 2007 appropriation base carried forward, and an annual increase in appropriation of 9.5%.

Key Measures

⇒ Increased ability to take advantage of strategic opportunities to retain faculty being recruited by other universities.

⇒ Increased ability to recruit top educators and researchers.

⇒ Increased ability to attract the best students, gain research funds, stimulate patentable ideas, and develop licensable technology.

⇒ Potential modest improvement in the university's competitive salary position relative to other research universities (in FY 2005, the Twin Cities campus ranked 22nd among the top 30 research universities in average total faculty compensation).

Alternatives Considered

This request is the result of an inclusive and comprehensive process for setting priorities consistent with the stated goals of the University's Strategic Positioning activities. The initiatives presented in this request have been identified as critical for the University of Minnesota and the state: improving the university's competitiveness in the world and fostering economic development in the state. The university will continue to improve management efficiencies and will dedicate resources to the operation of facilities, inflationary support costs and selected investments in partnership with the state.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$8,800	$19,100	$19,100	$19,100
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$8,800	$19,100	$19,100	$19,100

Request

The University of Minnesota's Academic Health Center is one of the most comprehensive education and research facilities for health professionals in the nation. Its six schools and colleges prepare the new health professionals who improve the health of Minnesota's families and communities, discover and deliver new treatments and cures, and enhance the economic vitality of Minnesota's health industries.

Two-thirds of the state's health professional workforce is educated and trained at the University of Minnesota. The university is responsible for ensuring that there are sufficient health professionals to provide health care in Minnesota and that its graduates are prepared to deliver the highest quality of care expected by patients and their families in this state.

The university and the state of Minnesota are facing a number of challenges: a continuing health professional workforce shortage, changing educational needs for health professionals, and a slow process for turning research discoveries into clinical practice. To address these challenges, the university requests $8.8 million in FY 2008 and an additional $10.3 million in FY 2009.

Background

Health Workforce

Minnesota faces a critical shortage of allied health professionals, including medical technologists and occupational therapists. Enrollments in existing programs are not meeting the demand. There is also a continuing shortage of advanced practice nurses in the state. And the shortage of all health professionals (doctors, nurses, pharmacists, dentists, veterinarians, and public health professionals) is particularly acute in rural Minnesota and in communities of color. The following initiatives represent the university's priority investment plans in the area of the health workforce:

Center for Allied Health Programs

This initiative will establish programs, based in the Twin Cities and Rochester, to expand enrollments in medical technology and occupational therapy. The curriculum for these two programs will be redesigned so that a significant portion can be Web based to allow students to access the programs from across the state. The center will be developed in cooperation with the Minnesota State Colleges and Universities system; laboratory and experiential clinical training courses will be delivered in the Twin Cities and Rochester.

Doctorate of Nursing Practice (DNP)

This initiative will establish a new professional doctorate to respond to the national mandate to increase the level of education for advanced practice nurses. Nursing programs in Minnesota and nationally are forced to limit their enrollments due to the shortage of nursing faculty; DNP graduates will be able to help mitigate this shortage by graduating individuals who will be prepared to teach future nurses.

Center for American Indian and Minority Health

The University's Center for American Indian and Minority Health is one of four Native American Centers of Excellence across the country devoted to recruiting and preparing American Indian physicians to address the health disparities in American Indian communities. The university's center ranks second in the nation in the number of Native American medical school graduates and has graduated 7% of the nation's American Indian physicians. Federal funding for the center was cut this past year, placing the center and its successful programs in jeopardy.

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Health Education Initiatives
Rapid advances in health care, information technology, and health care delivery require the university to undertake a major transformation of the curriculum across the health professional schools and to change the way education is delivered. A number of initiatives comprise the university's priority investment plan in the area of the health professional education.

Learning Platform
Combining a wide range of existing technologies into an integrated system will support multiple academic programs, including the Center for Allied Health Programs; it will support competency-based education; enable students, faculty and staff to access resources and each other from sites and locations around the state; and support the university's partnership with the MnSCU system.

Education Initiatives
Health education is conducted in many different ways. Inter-professional education brings students from different health professional programs together to learn collaboratively and to learn to function as health care teams. Inter-professional training is an important component for today's health professional students, as health care now takes place in a different environment—with team-based care and empowered patients. The foundational Medical School curriculum will also be transformed so that future physicians are better prepared for the care environment in which they will work.

Another change in today's health education environment is the availability of new technology and virtual reality applications that are revolutionizing teaching and learning. Patient simulators can now be programmed to act and respond to a wide range of situations; students can learn to respond to simulated emergencies such as cardiac arrest in a simulated setting before they enter into real world practice. Investments in simulation equipment and personnel with programming, technical, and educational expertise will yield improved clinical education programs and decreased time to competency.

Finally, health professional students must undergo rigorous on-site, clinical training. The Minnesota Area Health Education Center (AHEC) program provides rural training sites for health professional students and helps address the health workforce issues in rural areas of Minnesota. There are regional hubs in Northeastern, Southern and Central Minnesota. New investments in Minnesota AHEC will support community-based educational programs in underserved communities, the recruitment of community based faculty, development of inter-professional training sites, and expansion of the K-12 pipeline, providing students in rural Minnesota with opportunities to explore health careers.

Clinical Sciences
The translation of basic biomedical research discoveries into clinical decision-making and treatment is too slow. According to national studies, it takes 17 years on average before basic biomedical discoveries become common clinical practice. Increasing the speed of translational scientific discoveries into clinical care will improve health and reduce costs. The following initiative represents the university's priority investment plan in the area of clinical sciences.

Clinical/Translational Science Development Corridors
Clinical/translational research corridors can speed the development and use of new treatments and cures to improve human health, bringing economic benefits, new products, new therapeutics, new technology, new companies and new jobs for the state. These development corridors will be avenues for the movement of research ideas and discoveries from basic science laboratories through the stages of translating research studies into clinical trials and clinical research studies and then onto the broader care of patients in Minnesota and throughout the country.

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To achieve this faster pace of translation, the university will create, support, and invest in seven clinical/translational research corridors in areas of university strength: three focused on specific diseases: cancer; heart and cardiovascular disease; diabetes, transplantation and immunology; and four focused on underlying scientific technologies critical to all university health research: the Center for Magnetic Resonance Research, the Stem Cell Institute, the Institute for Translational Genetics, and the Institute for Healthcare Evaluation and Improvement.

Relationship to Base Budget

Funding the university's initiative requests of $58.9 million in FY 2008 and $64.5 million in FY 2009 will increase the university's annual recurring General Fund appropriations to $678,825,000 and $744,655,000 respectively, or $1,423,480,000 for the biennium. This represents a biennial funding level that is 14.6% higher than the FY 2007 appropriation base carried forward, and an annual increase in appropriation of 9.5%.

Key Measures

⇒ Increased enrollments in medical technology, occupational therapy, other allied health programs, and advanced practice nursing.

⇒ Recruitment and training of health professional students from rural Minnesota and from Minnesota's diverse communities of color.

⇒ Health professional school graduates who are better prepared to practice within their profession and as members of health care teams, who are patient-centered, and skilled at managing knowledge and information.

⇒ Increased federal and private industry research funding.

⇒ Faster translation of scientific discoveries into clinical treatments.

⇒ Improved health for Minnesotans.

⇒ Economic benefits, including new products, new therapeutics, new technology, new companies and new jobs for the state.

Alternatives Considered

This request is the result of an inclusive and comprehensive process for setting priorities consistent with the stated goals of the University's Strategic Positioning activities. The initiatives presented in this request have been identified as critical for the University of Minnesota and the state: improving the university's competitiveness in the world and fostering economic development in the state. The university will continue to improve management efficiencies and will dedicate resources to the operation of facilities, inflationary support costs and selected investments in partnership with the state.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$4,100	$11,500	$11,500	$11,500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$4,100	$11,500	$11,500	$11,500

Request

Minnesota is home to some 500 medical technology manufacturers, one of the best health care infrastructures in the world, and has deep strengths in manufacturing. The University of Minnesota has a long history of strong programs in engineering and the biological, computational, medical, and physical sciences.

The availability of these great research strengths at the university represents one of the state's greatest competitive assets. Through careful investments, the university and the state of Minnesota are positioned to capitalize on this synergy. To address these opportunities, the university requests $4.1 million in FY 2008 and an additional $7.4 million in FY 2009.

Background

The greatest innovations in science and technology, especially those offering new economic growth potential, are springing up at the interfaces of many of the traditional sciences. Some of our most challenging problems in energy, health, the environment and medicine will be addressed through innovative, cross-disciplinary research. All of these emerging research areas hold promise for Minnesota. Through strategic investments, the university can contribute to the economic health of the state, fortify existing areas of strength and establish new areas of national leadership. To foster these cross-disciplinary collaborations and to remain at the forefront of research, the University of Minnesota proposes five initiatives.

Medical Devices

Minnesota is a national leader in the medical device industry having 22,000 employees, or 5.5% of the nation's medical device workforce, working in this sector of the economy. Minnesota is also poised to be a world leader in the development of the next generation of medical devices but its dominant position is threatened by significant challenges from competitors in other states. Renewed investment in research and development in the creation and manufacturing of the next generation of device technologies is essential in order for Minnesota to continue to reap the economic benefits of this industry and to retain its position among the world's medical device leaders.

The university brings a number of important core competencies to the engineering of medical devices: sensing, monitoring, imaging, and control technologies; manufacturing and quality assurance; tissue engineering; materials science, especially in the development of bio-compatible materials; drug delivery; and nanobiotechnology, the application of nanotechnology to biomedical science and engineering, pharmaceutics, and medicine. The availability of these strengths at the university and the strong alliances and research partnerships between the state's medical devices companies and the University of Minnesota are crucial to advancing Minnesota's position in this sector. Investment will have sweeping implications across one of Minnesota's most successful, but currently vulnerable, industries.

The University of Minnesota will leverage its strong programs in engineering and the biological, computational, medical, and physical sciences to create a new research center, dedicated to development of new age medical devices. The center will also serve as an important site for education and training and public outreach.

Institute on Translational Neuroscience

Neuroscience is the scientific study of the nervous system, including the brain and the spinal cord. Neuroscience investigates the structure, function, development, genetics, biochemistry, physiology, pharmacology, and pathology of the nervous system. Developments in neuroscience and in new tools of inquiry, including modern genetics, molecular and cellular biology, and state-of-the-art imaging techniques, have opened up remarkable

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opportunities for understanding the brain—how it develops, how those developments influence human health, and how people think, feel, and act.

The University of Minnesota has an extraordinarily strong base of active research in the area of brain function, across multiple departments and centers of the Medical School, the College of Education and Human Development, the Institute of Technology and the College of Liberal Arts. Two initial areas for investment will build on these strengths in the areas of cognitive neuroscience, systems neuroscience, and brain imaging. Through an investment to establish the Institute for Translational Neuroscience, the university will enhance basic science discovery and form stronger, more productive interdisciplinary approaches to translational and clinical sciences to develop new therapeutic tools that improve the understanding of brain development, developmental disorders, and how the brain functions across the lifespan.

The two areas for investigation are neurodegeneration and neuromuscular diseases; and genes, development and behavior. In the first area, neuroscience research is critical because of our aging population and the increasing occurrence of brain diseases associated with aging, such as Alzheimer's and Parkinson's. Degenerative disorders of the nervous system are having an increasing impact on health and quality of life. The University will build on its research strengths and focus initial efforts on the following diseases: ataxia, muscular dystrophy, Parkinson's and ALS (Lou Gehrig's disease).

The second investigative area will focus on the complex interactions between genetic and environmental factors, particularly during periods of significant development, such as childhood and adolescence. This area is ripe for significant interdisciplinary collaboration and holds significant promise for understanding a wide range of neurobiological, developmental, psychological and psychopathological disorders, such as schizophrenia, and the role of environmental factors, such as stress during fetal development. The university has significant strength in subsets of this broad area. Investment in this area will strengthen the entire spectrum of inquiry by adding expertise in genetics, developmental psychology, psychopathology and physician scientists skilled in the translational and clinical research that connects basic science discovery to patients.

Nanotechnology

Nanotechnology is a cross-disciplinary branch of science and engineering that is defining the 21st century. Applications of nanotechnology—engineering of devices at the molecular level—are growing in virtually every field and industrial sector.

Nanotechnology has one of the largest growth potential sectors of the economy. This technology will revolutionize the structure and manufacturing of devices and systems that enhance the quality of life, with demonstrated applications in energy production, in medicine, and for information processing and management. In Minnesota, there are dozens of companies producing hundreds of nano products. The University of Minnesota has been a major academic leader in the genesis of nanotechnology.

An investment in the university's new Institute for Nano-Structure Applications will provide cutting-edge research in nanotechnology, with research collaborations between the Institute of Technology, the College of Biological Science, and the Academic Health Center. Research will focus on innovative developments in three areas of nanotechnology, all relevant to Minnesota's industrial base: nanobiotechnology, nanodevices and systems, and nanotechnology in energy sciences. The institute will work in close partnership with a broad spectrum of local industry where the demand for new developments is high.

Institute for the Advancement of Science and Technology

As the above initiatives demonstrate, the greatest innovations in technology, especially those offering new economic growth potential, are springing up at the interfaces of the biological and physical sciences. To keep Minnesota at the forefront of these advances and realize its potential, the University of Minnesota must aggressively pursue research directions at the frontiers of these disciplines.

The university must foster collaborative research and become a national model for attracting, retaining, and preparing the next generation of scientists and engineers. To meet these critical objectives, the University of Minnesota will create a new Institute for the Advancement of Science and Technology. The institute will drive

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innovative, cross-disciplinary research, establish and support centralized multi-user facilities that enhance the research infrastructure in the sciences and engineering, increase research capacity through facilitating collaborative research, secure training grants, and offer multi-disciplinary graduate training opportunities across the sciences and engineering.

The Institute for the Advancement of Science and Technology will build on the university's academic strengths to bring productive teams of interdisciplinary researchers together across the university, promote the development of large interdisciplinary grants, and "add value" to the University's research portfolio and the state's economic strengths.

Civil Engineering
The College of Science and Engineering at the University of Minnesota, Duluth (UMD) has had great success in recent years in recruiting and retaining excellent students to its engineering programs. The addition of the Bachelor of Science in Mechanical Engineering has had a significant impact, and is meeting an important need for the state of Minnesota, as evidenced by the fact the three-year old program already is enrolling more than 271 students.

Expansion of engineering at UMD has been driven by student interest and enthusiastic community support. Based on discussions with many business and governmental stakeholders in northeast Minnesota, UMD is planning to continue the expansion of engineering offerings by adding a Bachelor of Science in Civil Engineering. The program would be focused on four core areas: transportation systems engineering, water resources engineering, geotechnical engineering, and structural engineering. These areas were chosen to take into account the unique nature of the civil engineering challenges across northern Minnesota.

Relationship to Base Budget
Funding the university's initiative requests of $58.9 million in FY 2008 and $64.5 million in FY 2009 will increase the university's annual recurring General Fund appropriations to $678,825,000 and $744,655,000 respectively, or $1,423,480,000 for the biennium. This represents a biennial funding level that is 14.6% higher than the FY 2007 appropriation base carried forward, and an annual increase in appropriation of 9.5%.

Key Measures
⇒ Maintain Minnesota's prominence in the world's medical device industry.
⇒ Develop new technologies and treatments to improve human health.
⇒ Make new discoveries that will lead to therapies and cures for neurological diseases.
⇒ Reduce the time to translate scientific discoveries into therapies and cures.
⇒ Seize the opportunity for the university's and Minnesota's preeminence in emerging fields of nanotechnology.
⇒ Increased federal and private industry research funding.
⇒ Foster collaborative research and advance the university's research portfolio.
⇒ Provide additional degree opportunities to students to meet regional needs.

Alternatives Considered
This request is the result of an inclusive and comprehensive process for setting priorities consistent with the stated goals of the University's Strategic Positioning activities. The initiatives presented in this request have been identified as critical for the University of Minnesota and the state: improving the university's competitiveness in the world and fostering economic development in the state. The university will continue to improve management efficiencies and will dedicate resources to the operation of facilities, inflationary support costs and selected investments in partnership with the state.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$3,100	$8,400	$8,400	$8,400
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$3,100	$8,400	$8,400	$8,400

Request

Addressing environmental challenges, ending dependence on fossil-based fuels, ensuring food safety, and protecting animal and human health are all issues that will take on greater urgency in this century. To address these challenges, the university requests $3.1 million in FY 2008 and an additional $5.3 million in FY 2009.

Background

Institute on the Environment

Environmental challenges will take center stage in the 21st Century. The issues are global and complex and finding solutions will require an integrated teamwork approach across many disciplines. The university of Minnesota's Institute on the Environment will bring together the breadth and depth of this world-class research institution to find, and help implement, innovative solutions to complex environmental problems in the context of Minnesota's celebrated and plentiful waters, wildlife, and forests.

The Institute on the Environment will be dedicated to providing fundamental scientific knowledge needed to forecast the long-term effects and implications of human-driven environmental changes, and to finding ways to a sustainable future that ensures environmental quality and human well-being for coming generations. The institute will bring together scholars and practitioners with the goal of serving as an international leader in the development of environmental solutions, making measurable, long-term differences in the environment and safeguarding present and future human well-being.

The University of Minnesota plays a key role in the development of renewable energy through the University's Initiative for Renewable Energy and the Environment (IREE). IREE's mission is to promote statewide economic development; sustainable, healthy and diverse ecosystems; and national energy security through the development of bio-based and other renewable resources and processes. IREE is funding major research and development projects in: bioenergy and bioproducts; hydrogen; wind and solar energy systems; and policy, economics and ecosystems.

This initiative will support continued biofuels research through IREE ($300,000 recurring), strengthening Minnesota's and the University's leadership role in developing technologies for next-generation biofuels; and to sustain IREE's core operations ($500,000 recurring), including outreach and public engagement activities. (Additional funds of $2 million recurring will be sought from the Conservation Improvement Program.)

College of Food, Agricultural and Natural Resource Sciences

Three sub-initiatives combine the strengths of the University of Minnesota's College of Food, Agricultural and Natural Resource Sciences, College of Veterinary Medicine, Minnesota Agricultural Experiment Station and Minnesota Extension Service. The initiative will leverage past capital investments to position Minnesota as a leader in world-class agricultural research and the outreach Minnesota needs to capture present and emerging opportunities. This initiative will produce results that will increase Minnesota's competitiveness in food production and renewable energy.

Providing a Disease Safety Net for Minnesota's Plants and Animals

The almost $8 billion of crops and livestock raised in Minnesota each year help drive Minnesota's economy and are a leading source of the state's exports. Unfortunately, one of the side effects of globalization is that diseases that were once thought of as exotic are finding quicker pathways to our fields and farms. The University of Minnesota and the Minnesota Department of Agriculture (MDA) jointly operate a BL-2 Insect Control Facility that

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is discovering biological controls to imported crop pests like soybean aphids and invasive weeds like leafy splurge. And the planned BL-3 Plant Pathology Research Facility will give scientists a jump on plant pathogens that haven't reached our state yet. This initiative proposes to leverage these capital investments by providing research and extension expertise to help protect Minnesota farmers and the agricultural economy from emerging threats.

Supplying Emerging Markets in Renewable Energy
Minnesota's desire to be at the forefront of the renewable fuels revolution is creating new opportunities and challenges for Minnesota growers. Currently, 15% of Minnesota's corn crop is converted into ethanol. However, grain-based ethanol is not nearly as energy efficient as are the estimates of the efficiency of newer second-generation biofuels. The second generation of biofuels will be either cellulostic-derived (non-starch) or oil-based. These second generation biofuels are significantly more energy efficient than are first generation grain and starch-ethanol biofuels; they should be more profitable for Minnesota farms. The increasing demand for plant crops and other biomass material will change the economics of rural communities. University research and outreach can provide an important role in helping growers make informed decisions about raising energy crops and positioning themselves as suppliers of raw materials to Minnesota's renewable energy industry.

Improving Farm Profitability and Protecting Consumer Health
The University of Minnesota—as one of the few places that has agricultural researchers, food scientists and medical researchers on the same campus—is uniquely positioned to provide a systems approach to food animal production. On the farm level, this will include providing livestock growers with systems that match new technologies or changing consumer demands and increased food safety needs and capabilities. It will also provide consumers more assurance of the safety of their food, provide food processors new reasons to focus on Minnesota as a supplier of animal products and provide rural communities with new opportunities to integrate livestock production into their landscapes.

Veterinary Diagnostic Laboratory
Minnesota's $7 billion food animal and wildlife industries are at risk from naturally occurring emerging infectious diseases and the possibility of terrorist induced disease. Emerging diseases such as tuberculosis, chronic wasting disease, mad cow disease, avian influenza and many others have the potential to devastate Minnesota's agricultural economy and Minnesota's international competitiveness. The Veterinary Diagnostic Laboratory is the state's official veterinary lab. It is important to animal and human health.

This initiative will transform the Veterinary Diagnostic Laboratory from an agricultural testing service to an early warning disease surveillance system that will provide 'real time' diagnostic testing, animal disease monitoring, surge capacity and translational research focused on developing new diagnostic methods to protect Minnesota's production animal and wildlife animal populations from emerging infectious diseases. The lab will also provide a single source for animal disease testing for university researchers, which is also used to ensure the safety of people and enhance the translational pipeline for life-saving human drugs. The lab will also enhance training of veterinarians and graduate students in epidemiology, diagnostic medicine and comparative pathology to ensure that there are adequately trained professionals to protect Minnesota's and the nation's food animal and wildlife populations from emerging infectious diseases.

Natural Resources Research Institute
The University of Minnesota conducts research into renewable energy at the University of Minnesota, Duluth's (UMD) Natural Resources Research Institute and the College of Science and Engineering. Current research includes the development of cellulosic ethanol from woody biomass, the conversion of biomass gas to hydrogen fuel, the use of biodiesel fuels in marine transportation environments, the development of a prototype renewable power station to generate electricity under all weather conditions as an alternative power source for operating traffic management and safety devices in remote rural areas.

Relationship to Base Budget
Funding the university's initiative requests of $58.9 million in FY 2008 and $64.5 million in FY 2009 will increase the university's annual recurring General Fund appropriations to $678,825,000 and $744,655,000 respectively, or

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$1,423,480,000 for the biennium. This represents a biennial funding level that is 14.6% higher than the FY 2007 appropriation base carried forward, and an annual increase in appropriation of 9.5%.

Key Measures

⇒ Solutions to complex environmental challenges.
⇒ Enhanced economic opportunities for Minnesota's farmers and rural economies.
⇒ Protection of Minnesota's animal agriculture economy from devastating livestock diseases.
⇒ Protection of Minnesota's crops from invasive diseases.
⇒ Improved public health and animal agriculture safety by enhancing the secure handling of animal and human pathogens.
⇒ Improved veterinarian and graduate student training in diagnostic medicine.
⇒ Assurance that laboratory accreditation status is maintained to protect interstate and international agricultural commerce.
⇒ Increased research into the development of biofuels and other renewable energy sources.
⇒ Increased federal funding opportunities.

Alternatives Considered

This request is the result of an inclusive and comprehensive process for setting priorities consistent with the stated goals of the University's Strategic Positioning activities. The initiatives presented in this request have been identified as critical for the University of Minnesota and the state: improving the university's competitiveness in the world and fostering economic development in the state. The university will continue to improve management efficiencies and will dedicate resources to the operation of facilities, inflationary support costs and selected investments in partnership with the state.

Statutory Change: Not Applicable

Archived copy as of 11/09/2009

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,300	$4,600	$4,600	$4,600
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,300	$4,600	$4,600	$4,600

Request

World-class universities will be distinguished by their ability to manage and sustain complicated information-based systems, secure technology infrastructures, high performance networks and complimentary educational service offerings in an increasingly complex computing environment. In support of new technologies to achieve such an objective, the university requests $2.3 million in FY 2008 and an additional $2.3 million in FY 2009.

Background

Technological innovation requires us to change and adapt, often quite rapidly. Educational and research needs change too, driven by student demand, improvements in service and support systems, business process redesign, requirements of outside funding agencies and a host of other factors. These changing needs combine to increase technology costs across the institution. In the area of research, the ability of the university to capture its share of federal funding growth depends on the university's research capacity, which in turn depends on a strong research infrastructure. The following initiatives represent the university's priority investment plans in the area of technology and related infrastructure:

Research and Educational Infrastructure

New technologies, such as computer driven experiments and interviews, web-based surveys, labs that include the ability to use skin response meters, electrocardiograms, eye trackers and brain imaging have revolutionized the way research is conducted in economics, psychology, geography, anthropology, urban studies, political science and sociology. To remain at the leading edge of discovery requires us to invest in new and emerging tools used to conduct research in the social sciences. Investments will be made to take advantage of new technologies, to support and manage reusable digitized collections of data, to support the storage and sharing of large databases, multimedia and collaborative applications, and to create tools that enable new methodologies for supporting teaching and stimulating learning. These improvements in the research infrastructure are necessary to advance basic science and offer practical applications that will improve people's lives, our communities and our economy.

Technological Security Infrastructure

In an environment of complicated information-based systems, there is also an increasing need to strengthen our technological security infrastructure. Improvements can be made through the consolidation of the server infrastructure with the capacity to professionally manage the university's protected, private and sensitive information. The university's two enterprise data centers have reached capacity and need upgrades to the systems that support them. An investment in this infrastructure creates hardware, software, professional skill-set and toolkit capacities that are needed to protect mission critical information from exposure and unauthorized intrusion.

High Performance Networks and National Research Network Connectivity

To maintain the university's competitive advantage in attracting leading researchers and grant funding, investments in high performance networks and national research network connectivity are essential. The university's leadership in managing its research network hub has state wide benefits that apply to all of higher education, K-12 and state agencies. Investments will be made in the Broadband Optical Research Education and Sciences (BOREAS) network linking the four major research universities in the upper Midwest, and the University of Minnesota's GigaPOP – the regional hub through which Internet2, National Lambda Rail (NLR), Northern Tier, common Internet and soon BOREAS traffic is routed and passed.

Student and Educational Services

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Other technological investments will be made in basic classroom technology, tools to enhance graduation planning and other student services such as registration, portfolios, web-based evaluation tools, systems for sharing digital course materials, and so forth. The university is working to integrate these various aspects of the student experience to aid in academic planning, graduation goals and institutional forecasting for resource and capacity needs around student activities. Investing in two technological advancements such as technology enhanced learning initiatives, the personal ePortfolio and the Grad Planner project will create a more seamless learning experience and will allow students to more easily track their progress to degree and demonstrate "what they can do with what they know". At the same time, the university will be better able to assess student outcomes, aggregate performance statistics, manage digital materials and archives, better plan for course development and manage classroom technology improvements.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	$920,000	$1,863,000	$1,863,000	$1,863,000	$1,863,000	$1,863,000
Supplies	0	0	0	0	0	0
Hardware	1,081,000	2,162,000	2,162,000	2,162,000	2,162,000	2,162,000
Software	207,000	414,000	414,000	414,000	414,000	414,000
Facilities	0	0	0	0	0	0
Services	23,000	0	0	0	0	0
Training	69,000	138,000	138,000	138,000	138,000	138,000
Grants	0	0	0	0	0	0
TOTAL	**$2,300,000**	**$4,600,000**	**$4,600,000**	**$4,600,000**	**$4,600,000**	**$4,600,000**

Relationship to Base Budget

Funding the university's initiative requests of $58.9 million in FY 2008 and $64.5 million in FY 2009 will increase the university's annual recurring general fund appropriations to $678,825,000 and $744,655,000 respectively, or $1,423,480,000 for the biennium. This represents a biennial funding level that is 14.6% higher than the FY 2007 appropriation base carried forward, and an annual increase in appropriation of 9.5%.

Key Measures

- ⇒ Enhanced ability to attract and retain leading researchers and research grants.
- ⇒ Enhanced ability to attract high quality students.
- ⇒ Improved international standing of the social sciences at the university, thus leading to increased external research support and improved recruitment and retention of high quality faculty and students in these areas.
- ⇒ Improved quality of data management services through uniform service levels and greater system availability.
- ⇒ Increased efficiency in the data management environment through a reduction in complexity and duplication and optimizing space utilization.
- ⇒ Improved protection of legally private and sensitive information.
- ⇒ Improved student academic planning resulting in improved graduation rates.
- ⇒ Improved ability for the university to demonstrate tangible student outcomes through aggregated performance statistics.

Alternatives Considered

This request is the result of an inclusive and comprehensive process for setting priorities consistent with the stated goals of the University's Strategic Positioning activities. The initiatives presented in this request have been identified as critical for the University of Minnesota and the state: improving the university's competitiveness in the world and fostering economic development in the state. The university will continue to improve management efficiencies and will dedicate resources to the operation of facilities, inflationary support costs and selected investments in partnership with the state.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$15,000	$15,000	$15,000	$15,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$15,000	$15,000	$15,000	$15,000

Request
The University is requesting $30 million in FY 2008-FY 2009 for operating funds for the Minnesota Partnership for Biotechnology and Medical Genomics – the University of Minnesota/Mayo partnership.

Background
The Minnesota Partnership for Biotechnology and Medical Genomics is a collaborative venture between the University of Minnesota, the Mayo Foundation, and the state. The partnership's goal is to position Minnesota as a leader in biotechnology and medical genomics applications that will result in important new medical discoveries and support the development of new businesses and jobs in the biosciences industry in the state. Research projects funded by the partnership advance medical research and discovery in disease, disease prevention, diagnosis and therapeutics. Selected projects are expected to seek additional outside funding.

The Minnesota Partnership for Biotechnology and Medical Genomics has awarded $15 million in state-funded research support, appropriated by the legislature in 2004, to nine new research teams and infrastructure support for five teams of successful applicants.

The nine research winners will share roughly $9 million and conduct research on pancreatic cancer, tuberculosis and brain tumors, as well as cardiovascular, neuromuscular and autoimmune diseases. Other projects will focus on transplant rejection, drug addiction and cancer development. The remaining $6 million will support equipment, software and other infrastructure needs to enhance molecular research, genomics, proteomics and bioinformatics.

Of the $15 million appropriated to the partnership by the 2006 legislature, $6 million will be made available for new faculty recruits to the two institutions. The remainder of these available funds will be used for additional research and infrastructure proposals. The deadline for receipt of these proposals is 1/5/07.

The funds for the partnership made available by the state have been far exceeded by the requests from collaborative research and infrastructure proposals by the faculty of the two institutions. The partnership believes that the strong synergy created by the partnership work thus far has created a momentum that will continue to take the state into a national leadership role in the fields of biotechnology and medical genomics. Without additional funding from the state, this momentum will be lost, and promising research will not be allowed to advance due to lack of funding.

Relationship to Base Budget
The partnership received a $2 million state General Fund appropriation in the 2003 legislative session, a $15 million General Fund appropriation in the 2005 special session, and a $15 million General Fund appropriation in the 2006 legislative session.

The partnership has received its state funding thus far as a pass-through from the Department of Employment and Economic Development (DEED). While not part of the base budget for this agency, partnership officials have requested that the funding for FY 2008-09 be included in the base budget for the agency. This change would allow the partnership to better plan future investments if funding were guaranteed through the biennial budget process.

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Key Measures

The partnership has begun building a long list of accomplishments in advancing the profile of biotechnology and medical genomics research in Minnesota. As a result of partnership research, 44 papers have been published, 18 grant applications have been submitted, two patent applications have been filed, and one licensing request has been submitted. One of the first teams funded by the partnership received the Alzheimer's Association's "Alzheimer's Disease Neuroimaging Award" for the best neuroimaging paper published between 2004 and 2006.

Alternatives Considered

The partnership continues efforts to seek both federal and philanthropic support for research and infrastructure activities. To date, the partnership has leveraged state support with two NIH grants, $12 million from individual donors, and $5 million in corporate support. With continued state funding, the partnership plans to apply for increased funding from both the federal government and the philanthropic community.

The partnership needs to continue to invest in recruiting new faculty in critical areas in order to remain competitive with other leading institutions and to build additional permanence to the partnership.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other (Non-State) Fund				
Expenditures	2,000	2,000	2,000	2,000
Revenues	0	0	0	0
Net Fiscal Impact	$2,000	$2,000	$2,000	$2,000

Request

To support and sustain cutting edge integrative research and demonstrations to reduce our dependence on nonrenewable, fossil-fuel-based sources of energy and products, and to improve the health and sustainability of our global ecosystems, the university is requesting renewal of an annual $2 million allocation from the Conservation Improvement Program (CIP) for the Initiative for Renewable Energy and the Environment (IREE).

Background

Created in 2003, IREE's mission is to promote statewide economic development, sustainable, healthy and diverse ecosystems, and national energy security through development of bio-based and other renewable resources and processes. With legislatively mandated funding from the Xcel Energy's Renewable Development Account ($10 million) and CIP obligation (approximately $2 million/year for five years), IREE is harnessing the strengths of University scholars and researchers who are driven to find creative solutions to the world's most pressing energy concerns. IREE has brought more than 275 scholars and researchers (including chemists, engineers, biologists, agronomists, economists, architects, ecologists, and policy experts) together in more than 100 multi-disciplinary projects to address these issues.

Research is currently being conducted in five focal areas:

- Biofuels, Bioenergy and Bioproducts – converting biomass into energy or products as a substitute for fossil fuels, chemicals, and petroleum-based materials;
- Hydrogen – converting indigenous renewable sources to hydrogen, as well as transporting, storing, and utilizing hydrogen;
- Wind and Solar Energy Systems – advanced systems and efficient energy utilization research;
- Policy, Economic and Environmental Analyses – incorporating public policy, economics, and the effects of energy systems on the environment into the above three clusters. Researchers are also actively engaged in projects that mitigate carbon emissions;
- IREE has also provided funding for the biomass gasifier at the University of Minnesota, Morris and the wind-to-hydrogen research/demonstration platform at the West Central Research and Outreach Center, and sponsors an aggressive outreach program through renewable energy events and symposia.

The university is requesting renewal of mandated funding from the CIP. Funds will be used to sustain IREE's research in areas of biomass conversion; renewable hydrogen generation, storage and utilization; solar, wind and hydro-based renewable technologies; research on energy conservation and efficient energy systems; and for strategically targeted investments in renewable energy demonstrations and strategic partnerships (national laboratories, business and industry, and academic institutions).

Relationship to Base Budget

The 2003 legislature mandated funding from the Xcel Energy's Renewable Development Fund ($10 million-one lump sum payment) and a CIP obligation (approximately $2 million/year for five years). The final CIP payment will be received at the very end of FY 2006-07. This is not a request for a General Fund state appropriation.

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Key Measures

⇒ Increased research in bio-based and other renewable resources and processes
⇒ Increased outreach and public engagement in renewable energy issues

Alternatives Considered

Funding for the core operations of IREE are being requested through the university's change item "Environment, Agricultural Systems and Renewable Energy". The research programs included within this initiative and funded through the RDF and CIP have been identified as critical for the University of Minnesota's work in the area of renewable energy and the state of Minnesota's future.

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➲ Designates that this item is a change item

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State of Minnesota

DEPARTMENT OF VETERANS AFFAIRS
VETERANS SERVICE BUILDING
SECOND FLOOR
20 WEST 12TH STREET
ST. PAUL, MINNESOTA 55155-2006
(651) 296-2562

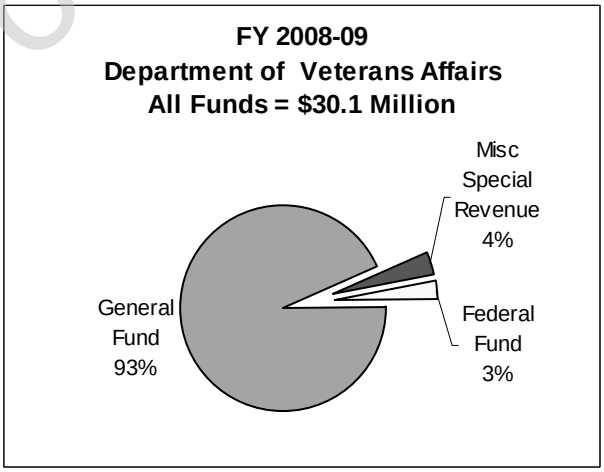
Clark Dyrud
Commissioner

January 22, 2007

To the 2007 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Veterans Affairs recommendation for the FY 2008-09 budget. This budget is a significant part of the Governor's Military and Veterans Support Package, which honors the heroes who have courageously served our state and nation. As the graphic indicates, the budget includes a total of $28 million in expenditures from the General Fund, $800,000 in federal funds, and over $1 million in spending from the special revenue fund. The recommended funding level represents a 133% increase from FY 2006-07, and a 94% increase from the FY 2008-09 forecast base.

To better serve our veterans, including those who will soon return from combat in the War on Terror, the Governor recommends expanding four department programs and shoring up support for nonprofit veterans service organizations, the State Veterans Cemetery, and departmental operations.



Recommended expansions include:

- State Soldier's Assistance Program: Since 1944, this program has provided a safety net for Minnesota's neediest veterans, and the proposed increase will help us continue addressing the special needs of our state's veteran population with an emphasis on providing assistance to returning troops.
- Higher Education Veterans Assistance Offices: Created in 2006, this program helps veterans on college campuses access the benefits for which they are eligible. The proposed budget would increase the number offices from 6 to 18.
- Communication and Outreach Program: Less than 50% of veterans apply for and receive the benefits to which they are entitled, therefore the Governor recommends increasing efforts to end homelessness in the veteran community, help veterans who are Native American gain access to benefits, and reach the broader veteran community through a 1-800 benefits hotline.
- County Veterans Service Officer (CVSO) Grants: CVSOs are the first contact for many veterans throughout the state, and the proposed increase will help CVSOs enhance benefits, programs, and services.

In addition, the Governor's recommended budget includes more stable funding for Congressionally chartered veterans service organizations and the State Veterans Cemetery in Little Falls. To provide effective and efficient departmental operations, the Governor also recommends increasing funds for information technology, administration, and compensation.

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With this budget recommendation, we will enhance our core mission to serve the veterans of Minnesota, as well as their dependents and survivors, in securing all benefits and services afforded by state and federal law. The department fulfills its core mission by providing leadership and direction to the veterans' community while exercising responsible management of available resources. Our key service strategies and core functions are as follows:

- provide assistance to all eligible veterans, their dependents, and survivors;
- collaborate with service providers whose efforts are coordinated by the department;
- continuously review, revise, and build upon proven business practices to ensure the most timely, cost-effective delivery of benefits and services;
- promote self-sufficiency and personal responsibility by providing a temporary safety net of benefits and services to veterans;
- represent clients pursuing claims for federal veterans benefits;
- prudently manage all budgets, accounts, financial transactions, information technology, and human resources programs to meet department needs; and
- provide dignified and compassionate committal services at the Minnesota State Veterans Cemetery.

On behalf of the staff of the Department of Veterans Affairs, we look forward to working with you in the coming months to achieve this mission.

Sincerely,

Clark Dyrud

Clark Dyrud
Commissioner

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Agency Purpose

The Department of Veterans Affairs' mission and purpose is to serve the veterans of Minnesota as well as their dependents and survivors in securing all benefits and services afforded by state and federal law.

Since its creation in 1943 (M.S. Chapter 196), the department accomplishes its mission by focusing on the needs of veterans and functioning as a single, comprehensive provider of seamless service to the men and women who have served in the military.

Core Functions

The Department of Veterans Affairs provides overall leadership and direction to the veteran community through collaboration with public and private service providers. The core functions of the Department of Veterans Affairs are to:

- promote self-sufficiency and personal responsibility through a temporary safety net of benefits and services;
- supply representation to clients pursuing claims for federal veterans benefits;
- ensure a smooth transition for veterans from active military service to civilian life;
- provide dignified and compassionate committal services at the Minnesota State Veterans Cemetery;
- revise and build upon proven business practices to ensure the most timely, cost-effective delivery of benefits and services; and
- manage all budgets, accounts, financial transactions, information technology, and human resources to meet departmental needs.

At A Glance

- In FY 2006, Minnesota veterans received more than $162 million in federal veterans' benefits as a direct result of the department's claims and outreach offices.
- Over 2,000 veterans and their families receive State Soldiers Assistance Benefits annually.
- Veterans Assistance Offices on Campus are operational and assisted 593 veterans at Minnesota's higher education institutions in FY 2007.
- A centralized one-stop web site portal has been created to provide information on veterans' benefits and services offered by state and federal government.
- Support Our Troops license plates have generated more than $450,000 for veterans' programs.
- The Recently Separated Veterans Program (RSVP) sends Welcome Home letters containing useful transitional information to all returning veterans.
- The WWII veterans' memorial is being constructed near the State Capitol and will be completed in spring 2007.
- Outreach offices have served approximately 1,500 veterans since 2004.

Operations

The department serves over 460,000 Minnesota veterans as well as their dependents and survivors with assistance from 87 County Veterans Service Officers (CVSOs) and representatives of Minnesota's Congressionally chartered veterans' organizations. The department is comprised of three divisions: benefits, services, and departmental operations.

Benefits – The Benefits Program provides financial assistance through the State Soldiers Assistance Program, CVSO grants to counties, Veteran's Preference Act enforcement, and rehabilitation services to Minnesota veterans in need. Also included within this program area are veterans' and war orphans' educational benefits and the homeless veterans' initiative.

Services – The Services Program provides claims representation in collaboration with the 87 CVSOs and oversees the Support Our Troops license plates and grants to Congressionally Chartered Veterans Organizations, including Disabled American Vets (DAV), Military Order of the Purple Heart (MOPH), Veterans of Foreign Wars (VFW), and Vietnam Veterans Association (VVA).

Departmental Operations – This function includes the commissioner's office (which is responsible for the overall management of the agency), oversight of the Minnesota State Veterans Cemetery, Veterans' Outreach Services, the Minnesota State Approving Agency, Information Technology, Higher Education Veterans Assistance Offices on Campus, and Recently Separated Veterans Program.

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Budget

FY 2006-07 agency activities are funded primarily through General Fund appropriations, which account for 86.1% of total funding. Additional funding comes from departmental earnings and other revenue, 10.4%; and federal funds, 3.5%. The department staff totals approximately 56 full-time equivalents (FTEs).

Contact

Department of Veterans Affairs
Veterans Service Building
20 West 12th Street
Saint Paul, Minnesota 55155

Home Page: www.mdva.state.mn.us
Department Results Page: www.departmentresults.state.mn.us/vets/index.html

Office of the Commissioner
Phone: (651) 296-2562
Fax: (651) 296-3954

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	4,744	7,345	7,345	7,345	14,690
Recommended	**4,744**	**7,345**	**14,553**	**13,618**	**28,171**
Change		0	7,208	6,273	13,481
% Biennial Change from 2006-07					133%
Misc Special Revenue					
Current Appropriation	337	855	855	855	1,710
Recommended	**337**	**855**	**855**	**855**	**1,710**
Change		0	0	0	0
% Biennial Change from 2006-07					43.5%
Expenditures by Fund					
Direct Appropriations					
General	4,059	8,426	14,553	13,618	28,171
Misc Special Revenue	75	472	338	338	676
Statutory Appropriations					
Misc Special Revenue	64	114	224	245	469
Federal	307	400	400	400	800
Miscellaneous Agency	2,370	437	0	0	0
Gift	1	4	11	14	25
Total	**6,876**	**9,853**	**15,526**	**14,615**	**30,141**
Expenditures by Category					
Total Compensation	2,286	3,555	5,250	5,528	10,778
Other Operating Expenses	503	1,306	1,662	1,605	3,267
Payments To Individuals	3,156	3,663	4,180	4,058	8,238
Local Assistance	931	1,329	4,434	3,424	7,858
Total	**6,876**	**9,853**	**15,526**	**14,615**	**30,141**
Expenditures by Program					
Benefits	1,915	4,058	6,933	6,418	13,351
Services	2,995	2,203	3,679	3,728	7,407
Departmental Operations	1,966	3,592	4,914	4,469	9,383
Total	**6,876**	**9,853**	**15,526**	**14,615**	**30,141**
Full-Time Equivalents (FTE)	**38.2**	**55.9**	**76.9**	**76.9**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**7,345**	**7,345**	**7,345**	**14,690**
Technical Adjustments				
One-time Appropriations		(80)	(80)	(160)
Subtotal - Forecast Base	**7,345**	**7,265**	**7,265**	**14,530**
Change Items				
State Soldiers Assistance Program	0	1,000	1,000	2,000
CVSO Grants to Counties	0	1,900	1,400	3,300
Veterans Outreach	0	2,000	2,000	4,000
Veterans Service Organization Funds	0	250	250	500
Higher Education Assistance Offices	0	1,400	900	2,300
Information Technology	0	100	100	200
MN State Veterans Cemetery	0	75	75	150
MDVA Administrative Resources	0	500	500	1,000
Compensation Adjustment	0	63	128	191
Total Governor's Recommendations	**7,345**	**14,553**	**13,618**	**28,171**
Fund: MISC SPECIAL REVENUE				
FY 2007 Appropriations	**855**	**855**	**855**	**1,710**
Subtotal - Forecast Base	**855**	**855**	**855**	**1,710**
Total Governor's Recommendations	**855**	**855**	**855**	**1,710**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**114**	**224**	**245**	**469**
Total Governor's Recommendations	**114**	**224**	**245**	**469**
Fund: FEDERAL				
Planned Statutory Spending	**400**	**400**	**400**	**800**
Total Governor's Recommendations	**400**	**400**	**400**	**800**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**437**	**0**	**0**	**0**
Total Governor's Recommendations	**437**	**0**	**0**	**0**
Fund: GIFT				
Planned Statutory Spending	**4**	**11**	**14**	**25**
Total Governor's Recommendations	**4**	**11**	**14**	**25**

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Program Description

The Veterans Benefits Program provides assistance through the State Soldiers Assistance Program, Veteran's Preference Act enforcement, rehabilitation services to Minnesota veterans in need, and County Veteran Service Office Service Enhancement Grant Program and Operation Grant program. Also included within this program area are veterans' and war orphans' educational benefits and the homeless veterans' initiative.

Program at a Glance

- Over 2,000 veterans and their families receive State Soldiers Assistance Benefits annually.
- 105 Certified CVSO's and assistants.
- Expansion of Homeless Initiative.
- Rehabilitation Services are provided through the Vinland Center and the Minnesota Assistance Council for Veterans.
- CVSO and Service Enhancement Grants encourage regional collaboration among organizations to enhance service, benefits and programs for veterans.

Population Served

The State Soldiers Assistance Program provides benefits to more than 2,000 veterans and their family members. 105 County Veterans Service Officers (CVSO) and their assistants receive certification annually. All counties are eligible to apply annually for a CVSO Operational Improvement Grant. Our homeless initiative has now expanded outside the metro area to provide services to communities in greater Minnesota.

Services Provided

The **State Soldiers Assistance Program (SSAP)** provides direct, emergency financial assistance to veterans, their dependents and survivors. Provisions are for shelter and utilities, optical and dental benefits, and cash grants for food and personal needs. Within this activity, the homeless veterans' initiative and rehabilitation services assist veterans and their families in attempts to regain self-sufficiency by providing incentives for desirable behavior and by assisting them in taking personal responsibility for their lives. Educational benefits are provided in the form of one-time grants to veterans who have exhausted their federal benefits, and to war orphans of veterans who died as a result of a service connected injury or disease.

County Veterans Service Officers grants are provided for operational improvements. Before receiving a CVSO grant the CVSO must go through a certification process and continuing education courses that ensure that they are trained and proficient in their duties. Officers must complete approved continuing education courses each year. New officers must complete a probationary period, attend a 'basic training" course and serve as a CVSO for one year. The department is responsible for annually certifying each CVSO, and each officer is required to complete and pass the annual certification test. The objective of the certification process is better service to Minnesota veterans and their dependents.

Beginning in 2007, CVSO will be able to submit a request for proposal and compete for **Service Enhancement Grants**. The new funds will be for grants to enhance benefits and services to veterans, giving priority to outreach, reintegration of combat veterans into society, collaborate with other social service agencies, educational institutions, and other relevant community resources and reducing homelessness among veterans. All 87 counties' CVSO are eligible to apply for these grants.

The department also provides direct **enforcement of the Veterans Preference Act**. We represent veterans in pursuing relief when their veterans' preference rights have been violated. In addition, we provide educational direction to political subdivisions to prevent future veterans' preference claims.

The department has a **partnership with the Vinland Center**, which attempts to prepare veterans with disabilities/work injuries and other vocational obstacles to secure and maintain competitive employment.

Program Funding

The program is funded by a direct appropriation from the General Fund.

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Contact

For further information, contact Office of the Commissioner, Department of Veterans Affairs, Veterans Service Building, 20 West 12th Street, Saint Paul, Minnesota 55155 or call (651) 296-2562 or Fax (651) 296-3954.

You may also visit the department's web site at http://mdva.state.mn.us and our Department Results page at www.departmentresults.state.mn.us/vets/index.html

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	1,915	4,058	6,933	6,418	13,351
Total	**1,915**	**4,058**	**6,933**	**6,418**	**13,351**
Expenditures by Category					
Total Compensation	444	462	597	704	1,301
Other Operating Expenses	22	75	21	21	42
Payments To Individuals	786	3,226	4,180	4,058	8,238
Local Assistance	663	295	2,135	1,635	3,770
Total	**1,915**	**4,058**	**6,933**	**6,418**	**13,351**
Expenditures by Activity					
Veterans Benefits	307	316	1,312	1,297	2,609
Veterans Services	82	295	2,195	1,695	3,890
Dedicated Accounts	1,405	3,447	3,426	3,426	6,852
Vinland Grants	121	0	0	0	0
Total	**1,915**	**4,058**	**6,933**	**6,418**	**13,351**
Full-Time Equivalents (FTE)	**6.9**	**9.0**	**10.0**	**10.0**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,000	$1,000	$1,000	$1,000
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$1,000	$1,000	$1,000	$1,000

Recommendation
The Governor recommends a General Fund base increase of $1.0 million per year for the State Soldiers Assistance Program (SSAP). These funds will allow the Department of Veterans Affairs to continue providing emergency cash assistance for Minnesota veterans and also expand benefits for special needs cases.

Background
The SSAP provides direct, emergency financial assistance to veterans, their dependents and survivors. Financial assistance is for shelter and utilities, optical and dental benefits, and cash grants for food and personal needs. Within this activity, the homeless veterans' initiative and rehabilitation services assist veterans and their families in attempts to regain self-sufficiency by providing incentives for desirable behavior and by assisting them in taking personal responsibility for their lives. Educational benefits are provided in the form of a one-time grant to veterans who have exhausted their federal benefits, and to war orphans of veterans who died as a result of a service connected injury or disease.

This increase in funding will provide ongoing support for Minnesota veterans by increasing the amount allowable for shelter payments, maintain grant levels for household utilities and personal needs assistance, and maintain the higher income and asset limits for dental and optical needs which were increased in August 2006 to meet the level of service provided by other state sponsored programs.

Additionally, the increase in funding will allow this program to expand to meet the needs of the “new” generation of veterans. The department would like to assist in partial payment for individual counseling for the veteran, spouse, dependents and/or parents; group counseling for the family; out-patient drug or alcohol treatment; and continue to provide special needs grants in cases of unexpected financial crisis.

Relationship to Base Budget
Base funding for SSAP is $6.852 million each biennium. This proposal represents a 29% increase over the SSAP base and a 14% increase over the agency’s FY 2008-09 forecast General Fund base budget.

Key Measures
- In FY 2006, the SSAP program sent out $1.245 million in veterans’ benefits.
- Over 2,000 veterans and their families receive SSAP benefits annually.

The Department of Veterans Affairs will monitor the activities funded under this change item and will report the results to the legislature as part of the 2009 budget process. We fully expect to exceed the performance measures identified above.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,900	$1,400	$1,400	1,400
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$1,900	$1,400	$1,400	$1,400

Recommendation

The Governor recommends a General Fund increase of $1.4 million per year and a one-time appropriation of $500,000 over the biennium for the CVSO Grants to Counties program. These funds will be provided as grants to county officers who agree to meet specific performance goals related to enhancing veterans' services, increasing focused outreach efforts, assisting with reintegration of combat veterans, and reducing homelessness among veterans.

Background

County Veterans Service Offices are locally-funded agencies, and the County Veterans Service Officers are employees of the county in which they serve. Their mission is to assist veterans and their families in obtaining benefits and services accrued through military service. The current level of funding allows the CVSOs to accomplish their mission of assisting veterans with compensation, pension, school benefits, life insurance, medical benefits, home loans, Minnesota state veterans' benefits, burial benefits, discharge upgrade, and employment programs.

This increase in funding for the grant program will aid CVSOs in bolstering their mission by providing funding to enhance current services. Through a grant request process, service officers will be able to expand the services that focus on outreach, reintegration of combat veterans, reducing homelessness among veterans while encouraging collaboration with social service agencies, educational institutions, other relevant community resources, VA hospital transportation, and transportation for outpatient medical and dental treatment. This increase will also allow for the department to hire one staff member to over see the grant process.

County Veterans Service Officers all have a common goal to help Minnesota's veterans. However, the needs of veterans can vary greatly based on their location in the state; therefore, all 87 county veterans service offices are eligible to apply independently for a grant that best meets the needs for that county. The Department of Veterans Affairs is responsible for awarding the grants.

Relationship to Base Budget

Base funding for the CVSO program includes $190,000 for basic grants and $400,000 for service enhancement grants each biennium. The biennial increase of $2.8 million represents a 19% increase in the agency FY 2008-09 General Fund base budget. The proposal also reflects a one-time appropriation of $500,000 to help meet the immediate need of returning troops during the biennium.

Key Measures

The Department of Veterans Affairs will monitor the activities funded under this change item and will report the results to the legislature as part of the 2009 budget process. We fully expect to meet or exceed the performance measures identified below.

Performance Measures include:

- increase in outreach case numbers;
- increase in collaboration with social service agencies; and
- decrease in homelessness among veterans.

Statutory Change: Not Applicable.

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The Services Program provides claims representation to veterans, their dependents and survivors with applications for federal veterans' benefits, such as compensation and pension benefits, home loans, educational benefits and medical treatment. The outreach program goes out into the community to find and help our underserved veteran population (minorities, females, homeless veterans) with all their veteran related needs. Also, under the services program area is the Support Our Troops license plate revenue and the Veterans Service Organizations.

Program at a Glance

- In FY 2006, Minnesotans received more than $162 million in federal veterans' benefits as a direct result of the department's claims and outreach offices.
- In FY 2006, claims representatives were successful in obtaining $16 million in retroactive monetary awards.
- In FY 2006, claims offices represented 14,836 claims before the U.S. Department of Veterans Affairs.
- Outreach offices have served approximately 1500 veterans since 2004.
- Support Our Troops license plates have generated $418,000 in sales and sold over 13,000 plates.

Population Served

The claims offices serve all Minnesota veterans, their dependents and survivors. The outreach offices concentrate their efforts on homeless, minority, women, and other underserved veterans in the state of Minnesota. The claims and outreach officers work in a collaborative effort with all 87 County Veterans Service Offices.

Services Provided

The claims and outreach offices, located at Fort Snelling and Fargo/Moorhead, provide direct claims representation before the U.S. Department of Veterans Affairs (VA) and the Board of Veterans Appeals to help Minnesota veterans and their families obtain federal benefits and services. The claims office at Fort Snelling provides environmental hazards information and assistance as well. Claims office services are free of charge.

The claims and outreach office staff represent veterans and their family members by acting as their advocate for matters pertaining to VA benefits and entitlements. As a veteran's representative, the claims and outreach offices help identify what evidence is needed to support the claim, will monitor the progress of the claim through the adjudication process and intercede on the claimant's behalf if problems arise, and they will explain and clarify VA procedures and regulations that apply to the claim.

The claims office works closely with County Veterans Service Officers to facilitate important services, such as the following:

- disability compensation - a payment to veterans who are disabled by injury or disease incurred or aggravated during military service;
- pension – assist veterans with pension benefits;
- vocational rehabilitation - employment assistance, training and education for veterans with service-connected disabilities who have an employment handicap due to their service-connected disability;
- health-care benefits - medical treatment and hospital care for veterans with service-connected disabilities and others who meet VA eligibility criteria;
- education benefits - Montgomery GI Bill benefits for former active-duty service members and eligible members of the reserve components; and
- burial benefits - burial in state or federal veterans cemeteries. Headstones and markers may be provided for burials in private cemeteries. Burial allowances may help pay for burial services and a burial plot.

The focus of the outreach office is to be out in the community where veteran specific events occur to educate veterans on what help and resources are available to them. The outreach office is in attendance at Stand-down events in Minneapolis and St. Cloud and town-hall meetings through out the state. Outreach was also critical to the success of the 2006 Minnesota Veterans Summit.

An additional outreach effort is aimed at the reintegration of newly returning veterans, informing them of earned and available benefits, programs, and services. The program also provides leadership and coordination for community–based efforts in providing meaningful support to these newest veterans, while encouraging them to become fully integrated into their communities upon return from active military service.

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Support Our Troops license plates feature a bald eagle in the foreground against the American flag as a backdrop. The proceeds from the plate sales are split between the Department of Military Affairs for financial Support of military families and the VA for three purposes: veterans services provided by Disabled American Veterans (DAV), Military Order of the Purple Heart (MOPH), and Veterans of Foreign Wars (VFW); grants for services to veterans by Vinland Center and Minnesota Assistance Council for Veterans; and outreach and assistance initiative programs for underserved veterans.

In 2005 **Disabled American Veterans (DAV), Military Order of the Purple Heart (MOPH), and Veterans of Foreign Wars (VFW)** were merged in with the VA. The Congressionally Chartered Veterans' Organizations are authorized to represent veterans, dependents, widows, and orphans before local, state, and federal government. These offices serve as representatives for veterans and their families in obtaining benefits to which they are entitled. They provide informational seminars and publish articles to bring about an awareness concerning potential entitlements to benefits and services available through Minnesota and U.S. Departments of Veterans Affairs.

Program Funding

Claims and outreach functions are funded primarily by appropriations from the General Fund. Outreach is also partially supported by revenue generated by Support Our Troops license plates.

Contact

For further information, contact Office of the Commissioner, Department of Veterans Affairs, Veterans Service Building, 20 West 12th Street, Saint Paul, Minnesota 55155 or call (651) 296-2562 or Fax (651) 296-3954.

You may also visit the department's web site at http://mdva.state.mn.us and our Departments Results page at www.departmentresults.state.mn.us/vets/index.html

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Expenditures by Fund					
Direct Appropriations					
General	550	1,294	3,341	3,390	6,731
Misc Special Revenue	75	472	338	338	676
Statutory Appropriations					
Miscellaneous Agency	2,370	437	0	0	0
Total	**2,995**	**2,203**	**3,679**	**3,728**	**7,407**
Expenditures by Category					
Total Compensation	529	974	1,318	1,404	2,722
Other Operating Expenses	21	240	773	736	1,509
Payments To Individuals	2,370	437	0	0	0
Local Assistance	75	552	1,588	1,588	3,176
Total	**2,995**	**2,203**	**3,679**	**3,728**	**7,407**
Expenditures by Activity					
Veterans Organizations	0	80	250	250	500
Guardianship Administration	34	0	0	0	0
Claims-Fargo Administration	82	165	124	147	271
Claims-Fort Snelling Admin	434	799	717	743	1,460
Guardianship Client Accts	2,370	437	0	0	0
Veterans Outreach Program	0	250	2,250	2,250	4,500
Support Our Troops	75	472	338	338	676
Total	**2,995**	**2,203**	**3,679**	**3,728**	**7,407**
Full-Time Equivalents (FTE)	**12.0**	**18.0**	**26.0**	**26.0**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,000	$2,000	$2,000	$2,000
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$2,000	$2,000	$2,000	$2,000

Recommendation

The Governor recommends a General Fund base increase of $2.0 million per year for outreach and communication to veterans. These funds will be used to establish Tribal Veterans Service Offices ($750,000 per year); to assist the Minnesota Assistance Council for Veterans (MACV) in helping homeless veterans ($1.0 million per year); and to implement a statewide marketing plan to reach out, educate, and communicate with veterans about the services available to them and their dependents ($250,000 per year).

Background

Outreach efforts are focused on meeting with veterans out in the community to provide information on the resources available to veterans and their dependents. Outreach staff currently attends Stand-down events in Minneapolis, St. Cloud, Duluth and Mankato; and attends town-hall meetings through out the state. An additional $250,000 per year will allow the department to host regional or statewide summits and informational seminars, hold job fairs, establish a toll-free benefits hotline, post billboards around the state, televise public service announcements, and host radio spots alerting veterans to the services available to them and where to get the services. This increase will also assist in outreach efforts aimed at the reintegration of returning troops, informing them of earned benefits, programs, and services now available to them as a veteran. The goal of these services is to provide leadership and coordination for community–based efforts by offering meaningful support to veterans while encouraging them to become fully integrated into their communities.

An additional $750,000 per year will be used to establish Tribal Veterans Service Offices. Thirty percent of Minnesota's Native Americans are veterans; however cultural differences and geographic distance make it difficult for this population to seek assistance from the County Veteran Service Offices located in their county seat. The Tribal Veterans Service Officers will assist members of Northern Minnesota tribes in obtaining the benefits to which they are entitled. This request will fund eight Tribal Veterans Service Officers who will serve as employees of the department.

The nonprofit Minnesota Assistance Council for Veterans (MACV) assists veterans and their families affected by homelessness. In its 13-year history, the organization has helped more than 3,000 veterans with transitional housing. MACV provides or coordinates clean, safe, drug-free, supportive housing; transitional homes for use during extended medical care; job skills training; assistance finding permanent housing; assistance finding resources for food; mortgage assistance; health care; chemical dependency treatment and sobriety aftercare; job search assistance; and counseling and legal assistance. Several organizations that advocate for veterans and people who experience homelessness recognize MACV's transitional and permanent housing programs as a model for the nation. This proposal includes an annual $2.0 million pass-through grant to support MACV operations.

Relationship to Base Budget

Base funding for outreach is $500,000 each biennium. The recommended increase of $4.0 million for the biennium represents a 28% increase over the agency's FY 2008-09 forecast General Fund base.

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Key Measures

The Department of Veterans Affairs will monitor the activities funded under this change item and will report the results to the legislature as part of the 2009 budget process. We fully expect to meet or exceed the performance outcomes identified below.

Performance Measures include:

- Increase the number of Native American veterans receiving assistance;
- Reach more veterans with a 1-800 hotline where they can call with questions or receive referrals in cases of crisis
- Hold six regional reintegration summits focusing on employment and veterans' benefits.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$250	$250	$250	$250
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$250	$250	$250	$250

Recommendation
The Governor recommends increasing General Fund support for Congressionally Chartered Veteran Organizations by $250,000 per year. These funds will replace lower-than-expected revenue from the Support Our Troops license plates and allow the department to support additional service organizations that currently serve the veteran community.

Background
Congressionally Chartered Veterans' Organizations are authorized to represent veterans, dependents, widows, and orphans before local, state, and federal government. These organizations serve as representatives for veterans and their families in obtaining the benefits to which they are entitled. They provide informational seminars and publish articles to increase awareness of benefits and services available from the State of Minnesota and the U.S. Department of Veterans Affairs.

Disabled American Vets, Military Order of Purple Heart, Veterans of Foreign Wars, and Vietnam Veterans of America currently receive a portion of their funding from the state's General Fund. The remainder of their funding comes from Support Our Troops license plates, which were established by the legislature in 2005 with the expectation of providing a stable source of revenue for veterans' organizations and other programs. When Support Our Troops license plate sales did not meet projected revenue expectations, the 2006 legislature provided one-time deficit funding of $80,000 for veterans' organizations.

This increase will provide Congressionally Chartered Veteran Organizations a stable funding base instead of relying on revenues from Support Our Troops license plates sales, which remain lower than expected. It will also allow the department to fund other Congressionally Charted Veteran Organizations as part of the agency base budget.

Relationship to Base Budget
The biennial increase of $500,000 represents a 3% increase over the agency FY 2008-09 forecast General Fund base budget.

Key Measures
The Department of Veterans Affairs will monitor the activities funded under this change item and will report the results to the legislature as part of the 2009 budget process. We fully expect these organizations to continue to meet or exceed the performance indicators identified below.

With this funding:
- Veterans of Foreign Wars will increase representation of veterans and their dependents from 98,000 to 105,000.
- Military Order of Purple Heart will continue representing combat wounded veterans from all wars.
- Disabled American Veterans will serve more veterans with their transportation program.

Statutory Change: Not Applicable.

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Program Description

The core functions within the Operations Program include the commissioner's office which is responsible for the overall management of the agency. These functions include the oversight of the Minnesota State Veterans Cemetery, Veterans' Outreach Services, The Minnesota State Approving Agency, Information Technology, and Higher Education Veterans Assistance Offices on Campus.

Population Served

Through the commissioner's office the Operations program offers services to all 460,000 Minnesota veterans plus their dependents and survivors. Our Information Technology unit serves an undetermined number of veterans throughout the world by providing web access to benefits and services provided to Minnesota veterans' and their families. The Minnesota State Approving Agency oversees the G.I. Bill's Minnesota Education and Training Programs. Our Outreach Office serves homeless veterans, women, minorities as well as other underserved veterans. The Veterans Assistance Offices on Campus serves veterans enrolled at public higher educational institutions in Minnesota. Our Veterans State Cemetery in Little Falls provides dignified burials for veterans, veterans' survivors, and eligible dependents.

Program at a Glance

- A centralized one-stop Web-site portal has been created. The web site contains information on benefits and services available to Veterans offered by all levels of government and private organizations.
- 2,318 veterans and their dependants are laid at rest in the Minnesota State Veterans Cemetery in Little Falls.
- WWII Veterans Memorial private donations received to date - $540,000 with a projected completion date of spring 2007.
- The Recently Separated Veterans Program (RSVP) sends Welcome Home letters containing relevant transitional information to all returning Minnesota veterans who were honorably separated.
- Veterans Assistance Offices on Campus are operational and assisting 593 veterans in Minnesota's Higher Educational Institutions.

Services Provided

The commissioner's office provides **overall leadership and direction** for all Minnesota veterans, their dependents and survivors, and congressionally chartered veterans organizations through the Commanders Task Force. The commissioner's office continues to send letters to various categories of veterans alerting them to changes in federal laws allowing for additional financial and medical benefits for those suffering from a variety of disabilities and illnesses.

We continue with our collaborative effort with the Department of Economic Security called the **Recently Separated Veterans Program (RSVP)**. When veterans separate from active duty, if they identify Minnesota as their home of record, the Minnesota Department of Veterans Affairs will receive their discharge papers (DD214). Within seven working days, a "Welcome Home" letter and relevant transitional information is mailed. Aside from thanking these young men and woman for their dedicated service to our nation and welcoming them home to Minnesota, we are providing them with helpful information on veteran's benefits and services, as well as Department of Economic Security programs and services. Additionally, the letter directs them to their local County Veteran's Service Officer (CVSO), where they obtain information on available additional services.

The **Minnesota State Veterans Cemetery** in Little Falls provides dignified burial services to Minnesota veterans, their eligible dependents and survivors. The cemetery has recently completed a $3.6 million renovation. The renovation included construction of a new chapel/administrative building, roadways, and landscaping. The money for the renovation came in the form of a 100%, non-state matching grant from the U.S. Department of Veterans Affairs, Memorial Affairs.

The **Minnesota State Approving Agency's (SAA)** mission is to provide the administrative oversight of the G.I. Bill's Minnesota Education and Training Programs on behalf of our veterans and other eligible persons. The SAA is responsible for the approval of education and training programs to ensure that each program meets the necessary requirements prescribed in federal law. For veterans to receive payments for their G.I. Bill's Education benefits, the education or training program in which they intend to enroll, must be pre-approved by the SAA.

Information technology, including internal and external web applications, is provided by staff in this area. We continue with Strategic Information Resource Management Plan (SIRMP) planning. We are able to allow the

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CVSO access to veterans' DD214's (discharge papers), that are utilized to receive veterans benefits. This is accomplished on our secured website. Additionally, a web site has been established creating a centralized, one-stop point of information portal for Minnesota Veterans. The web site provides a directory of all available public and private veteran programs, benefits and/or services offered by all levels of government or private organizations.

Veterans Assistance Offices on Higher Education Campuses has been established to provide assistance to veterans at all public and private higher educational institutions in Minnesota. The six regional campus offices serve as referral points for all state college or university services, federal veterans benefits and community resources.

All **budgeting, financial transactions, human resource management, affirmative action, and MAPS and SEMA4** transactions are processes within the Operations program. **WWII memorial donations** are collected, deposited, and recorded according to generally accepted accounting principles.

Program Funding

Except for a federal grant awarded for the cemetery and the SAA federal contract, the program is primarily funded by a direct appropriation from the General Fund.

Contact

For further information, contact Clark Dyrud, Commissioner, Department of Veterans Affairs, Veterans Service Building, 20 West 12th Street, Saint Paul, Minnesota 55155 or call (651) 296-2562 or Fax (651) 296-3954.

You may also visit the department's web site at http://mdva.state.mn.us and our Department Result's page at www.departmentresults.state.mn.us/vets/index.html.

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	1,594	3,074	4,279	3,810	8,089
Statutory Appropriations					
Misc Special Revenue	64	114	224	245	469
Federal	307	400	400	400	800
Gift	1	4	11	14	25
Total	**1,966**	**3,592**	**4,914**	**4,469**	**9,383**
Expenditures by Category					
Total Compensation	1,313	2,119	3,335	3,420	6,755
Other Operating Expenses	460	991	868	848	1,716
Local Assistance	193	482	711	201	912
Total	**1,966**	**3,592**	**4,914**	**4,469**	**9,383**
Expenditures by Activity					
State Approving Agency	328	425	425	425	850
Operations	1	4	11	14	25
Administrative Services	1,321	2,047	1,904	1,935	3,839
Cemetery Dev & Maint Acct	43	89	199	220	419
Cemetery Operations State	273	327	275	275	550
Web Development	0	100	100	100	200
Higher Education Assist	0	600	2,000	1,500	3,500
Total	**1,966**	**3,592**	**4,914**	**4,469**	**9,383**
Full-Time Equivalents (FTE)	**19.3**	**28.9**	**40.9**	**40.9**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,400	$900	$900	$900
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$1,400	$900	$900	$900

Recommendation
The Governor recommends a General Fund base increase of $900,000 and a one-time appropriation of $500,000 in FY 2008 for the Higher Education Veterans Assistance Offices on Campus program. These funds will be used to open 12 additional offices and temporarily increase services to accommodate the estimated 2,600 troops that will return from combat during the next biennium.

Background
In May 2006, the legislature provided $600,000 per year to establish Higher Education Veterans Assistance offices in six regions of the state. By August 2006, the department designated a program director, established the six regions, and hired staff for the offices. The department used 2005 demographic data to determine which campuses within the six regions had high military and veteran enrollment, and located Higher Education Veterans Assistance offices at those sites. Since August, seven campus representatives have helped 1,700 veterans access educational and other veterans' benefits to which they are entitled.

The department will use increased funding to hire 12 new regional coordinators, reimburse campus sites for the cost of office space and other overhead, and increase the program director's salary.

Relationship to Base Budget
The base budget for Higher Education Veterans Assistance Offices is $1.2 million each biennium. The base increase of $1.8 million for the biennium represents a 12% increase over the agency FY 2008-2009 forecast General Fund base. The proposal also includes a one-time appropriation of $500,000 to help meet the immediate need of returning troops during the biennium.

Key Measures
Success of the program will be judged by the extent to which the department:

- Increases awareness and utilization of military and veterans' educational benefits
- Monitors enrollment levels and targets campus representatives based on need
- Effectively promotes higher education as a way to help reintegrate combat soldiers into the community
- Builds capacity to serve the estimated 2,600 National Guard members returning from combat during the biennium.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$100	$100	$100	$100
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$100	$100	$100	$ 100

Recommendation
The Governor recommends a base increase of $100,000 per year to fund information technology for the Department of Veterans Affairs. The additional funding will be used to enhance information systems integrity, ensure confidentiality of information, and increase system availability.

Background
In 2006, the legislature provided $100,000 per year in base funding to create a one-stop information website for veterans. The department recently launched this website with great success. However, the department currently relies on one staff member and outdated hardware and software to support the website, agency information systems, and the IT needs of agency users. In addition, security threats increase as the department expands its presence on the web, adds staff, and creates programs that require collection of confidential data.

Additional funding will bring department spending on IT to an appropriate level for an agency of this size. The increase will allow the agency to purchase and support the updated hardware and software necessary to operate its website and information systems. Funds will also be used to make the agency-level investments in security required to comply with policies developed by the Office of Enterprise Technology (OET). The department will work with OET to avoid duplicating enterprise-level investments in IT security. To comply with OET requirements and to lay the foundation for use of enterprise security tools, at a minimum the department expects it will need to reconfigure its network and firewall to better handle increased web traffic.

Relationship to Base Budget
This increase of $200,000 each biennium represents a 1% increase in the agency's FY 2008-09 General Fund forecast base budget.

Key Measures
With this funding, the department will:

- Provide 24/7/365 access to the department website and information systems;
- Enhance network security, including prevention of worms that originate in the agency network; and
- Ensure confidentiality of private data on veterans.

The Department of Veterans Affairs will monitor the activities funded under this change item and will report the results to the legislature as part of the 2009 budget process. We fully expect to meet the performance measures identified above.

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Technology Funding Detail (Dollars in Thousands)

Note: The department will work with OET to determine appropriate investments, so the data in this table are preliminary estimates.

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Hardware	$33	$33	$33	$33	$33	$33
Software	$67	$67	$67	$67	$67	$67
Facilities	0	0	0	0	0	0
Services	0	0	0	0	0	0
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	**$100**	**$100**	**$100**	**$100**	**$100**	**$100**

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$75	$75	$75	$75
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$75	$75	$75	$75

Recommendation
The Governor recommends a General Fund base increase of $75,000 per year for the State Veterans Cemetery in Little Falls, Minnesota. The additional funding will allow for grounds maintenance and preserve current staffing levels.

Background
The Minnesota State Veterans Cemetery in Little Falls provides dignified burial services to Minnesota veterans and their eligible dependents and survivors. In 2003, the cemetery completed a $3.6 million renovation that included construction of a new chapel/administrative building, roadways, and landscaping. The renovation was funded entirely by a non-state matching grant from the U.S. Department of Veterans Affairs, Memorial Affairs.

This increase would allow for the proper maintenance of the renovated areas, perpetual care of gravesites, and grounds beautification. The funds would preserve current staffing levels while eliminating the current practice of transferring funds from department operations to support the cemetery.

Relationship to Base Budget
Cemetery operations are partially funded with $400,000 from the General Fund and approximately $250,000 in dedicated receipts each biennium; the remaining expenditures are funded with transfers from other department activities. This proposed base increase of $150,000 for the biennium represents a 1% increase over the FY 2008-09 forecast General Fund base budget for the department.

Key Measures
The Department of Veterans Affairs will monitor the activities funded under this change item and will report the results to the legislature as part of the 2009 budget process.

Performance measures for this program include:

- Perpetual care of gravesites.
- Maintaining affordable spouse/dependent cremation and in-ground burial services.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$500	$500	$500	$500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$500	$500	$500	$500

Recommendation
The Governor recommends a General Fund appropriation of $500,000 in both FY 2008 and FY 2009, to provide the Department of Veterans Affairs with an appropriate administrative foundation to effectively implement the significant responsibilities enacted in the 2006 session and those recommended in the Governor's 2007's Military and Veterans support package.

Background
Recent military activities have greatly increased the scope of the work and responsibilities of the department. The number of returning troops continues to grow, and corresponding increases in benefits and requirements at both the state and federal levels introduce a new level of complexity and call for a new level of coordination.

With this appropriation, the department plans to hire or promote director-level staff to oversee broad areas of programming in order to streamline operations and improve service to Minnesota's veterans. During the first year, MDVA plans to work with the Department of Administration's Management Analysis Division to identify an effective organizational structure to support the department's growing role in service of veterans.

Relationship to Base Budget
This recommendation would be a 7% increase over the FY 2008-09 forecast General Fund base for the department, and represents 3.5% of the total recommended General Fund budget for the department.

Key Measures
The Department of Veterans Affairs will effectively manage all staff provided under this change item and will report the results to the legislature as part of the 2009 budget process.

- Timely implementation of any new programming.
- Increase customer satisfaction.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$63	$128	$128	$128
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$63	$128	$128	$128

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund supported personnel costs.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$15,000	$15,000	$15,000	$15,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$15,000	$15,000	$15,000	$15,000

NOTE: This page is reprinted here for information purposes only. The Office of Higher Education is carrying this item.

Recommendation

The Governor recommends the creation of a Minnesota GI Bill program with a General Fund appropriation of $15 million each year in FY 2008 and FY 2009. These amounts would be used to fund payments of up to $1,000 per semester ($2,000 per fiscal year), with a maximum lifetime payment of $10,000, to military veterans or spouses and children of Minnesota veterans who were severely disabled or died during or as the direct result of their military service. These payments would be used to partially fund the post-secondary education eligible students who are attending an eligible post-secondary educational institution in this state. The recommended amounts include the administrative costs associated with this program.

Background

This new program will provide financial assistance for postsecondary education to Minnesota veterans or service members who have provided honorable service to this state and nation as members of the United States armed forces on or after 8-2-1990, whether in peacetime or in war.

All veterans and service members whether serving within the United States during peacetime or in a combat zone have voluntarily taken on the responsibility of the defense of this country and its Constitution. Many of these veterans and service members have had their pursuit of education interrupted in order to serve, or have elected to serve as a means of earning the financial resources that will help them attain their educational objectives. In addition many current service members have had their terms of enlistment or length of deployments extended, and this has resulted in additional disruption of their educational pursuits. These individuals have paid an immeasurable cost to protect this nation and its Constitution, and it is appropriate that the state of Minnesota provide some compensation to these individuals.

In addition, the spouses and children of the Minnesota veterans who were severely disabled or died during or as the direct result of their military service would also receive financial assistance for postsecondary educational costs under this program. The family members of the Minnesota veterans who have given so much through their military service and who are attending an eligible post-secondary educational institution in this state are also in need of and deserve these state-provided educational benefits.

The amount received by each eligible student will be based on a cost of education as defined by M.S.136A.121, subd.6, less the amounts received by the eligible student from the federal Pell Grant, Minnesota State Grant, and federal military veteran's educational benefits. The amount paid to the eligible student will not exceed $1,000 per semester ($2,000 per fiscal year), with a maximum lifetime payment of $10,000.

Relationship to Base Budget

This is a new program.

Key Measures

The Office of Higher Education will monitor the number of recipients in the program and distribution of benefits to applicants and types of applicants to measure the impact of the changes.

Statutory Change: New statutory language will be required for this new program.

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	19	15	0	0	0
Other Revenues:					
General	0	2	2	2	4
Total Non-Dedicated Receipts	**19**	**17**	**2**	**2**	**4**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	41	41	41	41	82
Grants:					
Misc Special Revenue	84	115	115	115	230
Federal	233	400	400	400	800
Other Revenues:					
Misc Special Revenue	19	28	28	28	56
Miscellaneous Agency	49	9	1	1	2
Gift	11	23	13	14	27
Other Sources:					
Miscellaneous Agency	588	125	0	0	0
Total Dedicated Receipts	**1,025**	**741**	**598**	**599**	**1,197**
Agency Total Revenue	**1,044**	**758**	**600**	**601**	**1,201**

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➲ Designates that this item is a change item

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Agency Purpose

The mission of the Veterans Homes Board is to fulfill the commitment by state government to provide the highest possible quality programs for housing, health care, and supportive services to our Minnesota veterans and their spouses while developing new and innovative solutions to meet the challenges of changing times.

M.S. 198.01 charges the Veterans Homes Board to "provide nursing care and related health and social services to veterans and their spouses who meet eligibility and admission requirements." Veterans eligible for admission to our homes must have served 181 days of active duty service, have either "served in a Minnesota regiment or have been credited to the state of Minnesota, or have been a resident of the state preceding the date of application for admission." There are approximately 445,000 veterans in the state and a majority of them meet this basic requirement. Spouses of eligible veterans are also eligible for admission if they are "at least 55 years of age, and have been residents of the state of Minnesota preceding the date of application for their admission." Veterans or spouses must be unable by reason of wounds, disease, old age, or infirmity to properly care for themselves.

At A Glance

- FY 2006-07 operating budget - $130.9 million with resources from:
  - ⇒ 53% state appropriation;
  - ⇒ 23% Department of Veterans Affairs (USDVA) per diems; and
  - ⇒ 24% patient pay.
- 859 operating beds.
- 98% occupancy, statewide.

Core Functions

There are five veterans homes operating in Minnesota. These include skilled nursing facilities at Minneapolis (341 beds) Silver Bay (87 beds), Luverne (85 beds), and Fergus Falls (85 beds) with domiciliary beds at Minneapolis (61 beds) and Hastings (200 beds). The Minneapolis facility also operates a 16-bed inpatient program for homeless veterans with a mental health and substance abuse history. Hastings has a transitional housing program for veterans who have been previously homeless and have completed their inpatient treatment. Both of these programs are funded jointly by the U.S. Department of Housing and Urban Development (HUD) and the Veterans Homes Board. Services provided are listed below:

- skilled nursing;
- special care units – dementia and Alzheimer's;
- physical therapy;
- occupational therapy;
- speech therapy;
- recreational therapy;
- chiropractic (with doctor's order);
- dental;
- podiatry;
- optometry exams;
- domiciliary (board and care);
- hospice;
- social services;
- work therapy;
- drug and alcohol treatment;
- transitional care;
- spiritual care;
- volunteer programs;
- mental health;
- homeless programs; and
- outpatient services (Fergus Falls – USDVA community based outpatient clinic).

The agency's core values are:

- quality performance;
- customer satisfaction;
- public acceptance; and
- pursuit of excellence.

Operations

A nine-member board is appointed by the governor whose responsibility is to oversee the management of the agency. An executive director is hired by the board and is responsible for all operational aspects of the agency. Board staff provide operational assistance of functional areas which include human resources, financial management, quality management, corporate compliance, legal issues, legislative and public affairs, project management, safety, veterans benefits, and information systems management. Board staff work closely with

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their counterparts in other state agencies and outside organizations. Administrators provide day-to-day leadership at the five facilities located throughout the state. Each facility is organized into functional units based upon size and type of patient care delivered. Typical skilled care facilities encompass nursing, dietary, housekeeping, social services, therapeutic recreation, facility maintenance, administration, admissions, a business office, mental health, speech, physical and occupational therapy, chaplain, and other services provided through contractual arrangements. Boarding care facilities focus on medical and mental health management, substance abuse treatment and counseling, mental health, and transitional services. Veterans homes throughout the state also provide training opportunities for various health care occupations. Approximately 100 students participate through affiliations with educational institutions, annually, in a variety of clinical service areas.

Budget

The agency's operating resources come from three sources - state appropriations (53%), patient pay amounts (24%), and USDVA per diems (23%). The revenue from the federal per diem payments and resident maintenance charges when combined with the General Fund appropriation, finance the operations of the agency's facilities.

Contact

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Saint Paul, Minnesota 55155

Phone: (651) 296-2073
Toll Free: (877) 682-2673

The Minnesota Veterans Homes web site at www.mvh.state.mn.us gives visitors important information about the Veterans Homes. Types of information available through the site include history, bed availability, rules, agency initiatives, board meeting minutes, newsletters, vacancy data, and board member information. Applications can also be downloaded.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	32,478	33,820	33,820	33,820	67,640
Recommended	**32,478**	**33,820**	**44,124**	**46,244**	**90,368**
Change		0	10,304	12,424	22,728
% Biennial Change from 2006-07					36.3%
Expenditures by Fund					
Direct Appropriations					
General	0	0	44,124	46,244	90,368
Statutory Appropriations					
Misc Special Revenue	64,806	68,976	31,088	32,905	63,993
Federal	237	245	0	0	0
Miscellaneous Agency	1,877	2,049	2,049	2,049	4,098
Gift	521	609	609	609	1,218
Total	**67,441**	**71,879**	**77,870**	**81,807**	**159,677**
Expenditures by Category					
Total Compensation	51,118	55,848	57,236	60,689	117,925
Other Operating Expenses	14,526	14,123	14,726	15,210	29,936
Capital Outlay & Real Property	0	0	4,000	4,000	8,000
Payments To Individuals	1,791	1,908	1,908	1,908	3,816
Local Assistance	2	0	0	0	0
Other Financial Transactions	4	0	0	0	0
Total	**67,441**	**71,879**	**77,870**	**81,807**	**159,677**
Expenditures by Program					
Veterans Homes	67,441	71,879	77,870	81,807	159,677
Total	**67,441**	**71,879**	**77,870**	**81,807**	**159,677**
Full-Time Equivalents (FTE)	**937.5**	**925.3**	**921.3**	**925.3**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**33,820**	**33,820**	**33,820**	**67,640**
Technical Adjustments				
Current Law Base Change		3,945	3,945	7,890
Subtotal - Forecast Base	**33,820**	**37,765**	**37,765**	**75,530**
Change Items				
Repair & Betterments	0	4,000	4,000	8,000
Maintain Current Service Levels	0	544	790	1,334
Compensation Adjustment	0	1,815	3,689	5,504
Total Governor's Recommendations	**33,820**	**44,124**	**46,244**	**90,368**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**68,976**	**31,088**	**32,905**	**63,993**
Total Governor's Recommendations	**68,976**	**31,088**	**32,905**	**63,993**
Fund: FEDERAL				
Planned Statutory Spending	**245**	**0**	**0**	**0**
Total Governor's Recommendations	**245**	**0**	**0**	**0**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**2,049**	**2,049**	**2,049**	**4,098**
Total Governor's Recommendations	**2,049**	**2,049**	**2,049**	**4,098**
Fund: GIFT				
Planned Statutory Spending	**609**	**609**	**609**	**1,218**
Total Governor's Recommendations	**609**	**609**	**609**	**1,218**

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Program Description

The veterans homes provide skilled nursing care, special care units for the treatment of dementia, domiciliary (boarding care), and residential programs for homeless veterans. These services are provided in facilities located in Minneapolis, Hastings, Silver Bay, Luverne, and Fergus Falls. The board office, located in Saint Paul, houses a centralized management team that supports each home and the board of directors.

Nursing home care consists of compassionate medical, rehabilitative, and end-of-life care in a residential setting staffed by well-qualified personnel. Care is designed and delivered by integrating the components required by each resident. The goal is to restore, optimize, and/or maintain each resident's level of function, personal autonomy, and dignity. We also recognize the individual's service to their country in a variety of ways with the assistance of the various veterans' service organizations.

Program at a Glance

- 955 Full-time (FY 2007)
  - Minneapolis – 512
  - Hastings – 101
  - Silver Bay – 104
  - Luverne – 112
  - Fergus Falls – 113
  - Board – 13
- 859 Operating Beds (FY 2007)
  - Minneapolis – 341 skilled nursing beds, 61 domiciliary beds, 16 homeless beds
  - Hastings – 200 domiciliary beds
  - Silver Bay – 87 skilled nursing beds
  - Luverne – 85 skilled nursing beds
  - Fergus Falls – 85 skilled nursing beds

Domiciliary care is a residential rehabilitation program that provides rehabilitative and long-term psychosocial care for veterans having a medical need for care at the board and care level. This resident population may require ongoing treatment and therapy for their mental health and/or substance abuse disorder. Dual diagnosis (mental health and substance abuse) services are available to veterans with the goal of reintegration back into society.

Facility Description

The Minneapolis Veterans Home was established as the Minnesota Soldiers Home in 1887 to house Union soldiers of the Civil War and has continued in operation since that date. The home offers skilled care, a special care unit for the treatment of Alzheimer's, domicilliary care and is located in south Minneapolis bordered by Wabun Park, the Mississippi River, and Minnehaha Creek. This scenic setting provides a wonderful backdrop for 17 buildings that are located on the grounds.

The Hastings Veterans Home became a veteran's home in 1978 after originally being a state hospital. The 140-acre site contains 16 buildings that date to the early 1900s. The home provides boarding care with expanded clinical and programmatic services in the areas of chemical dependency, dual diagnosis, mental health care, job training, and general medical care. In addition, the home provides a supportive housing program with emphasis on rehabilitation and reintegration into the community.

The Silver Bay Veterans Home is located on Minnesota's north shore just north of Two Harbors in Lake County. This nursing facility was originally built as an elementary school in 1953. Upon receipt of a federal grant, legislation in 1989 authorized the retrofit of the facility. The home offers skilled care and a special care unit for the treatment of Alzheimer's. The home's recently expanded dementia unit wandering area and tactile gardens are utilized in caring for persons with dementia related disorders.

The Luverne Veterans Home was a newly constructed facility that opened in 1994. The home offers skilled care, a special care unit for the treatment of Alzheimer's, and has incorporated a more home-like atmosphere with emphasis on the use of plants and animals, as opposed to a traditional institutional setting.

The Fergus Falls Veterans Home, is Minnesota's newest home, and offers skilled care and a special care unit for the treatment of Alzheimer's. A U.S. Department of Veterans Affairs (USDVA) medical clinic has been established at the facility under a shared use agreement. New concepts of nursing care have also been introduced with their innovative nursing universal worker position.

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Population Served

The mission of the Veterans Homes Board is to provide high quality care through a variety of programs in both skilled nursing and domiciliary levels of care. In addition residents can be seen by a medical provider in out-patient clinics at nearby medical centers. Transportation to and from these centers is provided daily by the agency.

There are approximately 445,000 veterans in Minnesota and it is anticipated that this population will decrease by approximately 35% over the next 20 years. While the veteran population is expected to decrease over the next 20 years, the number of veterans 75 and older is expected to grow approximately 9% from today's rates.

At least 50% of the patients cared for in veteran's homes are between the ages of 75-84 and 21% over the age of 85. This is compared to private sector long-term care where approximately 31% are between the ages of 75-84 and 52% over 85. In addition, the veteran population is 86% male as compared to 27% in the private sector. Case mix (a standard measure of level of care requirements) in the state averages 2.51 while the veteran's homes ranges from 2.58 to 2.72. The top five primary diagnoses for skilled care in the veterans homes system is dementia, Alzheimer's, coronary vascular disease, diabetes, and chronic obstructive pulmonary disease. For domiciliary care, the top five primary diagnoses are alcohol dependence/abuse, chronic obstructive pulmonary disease, hypertension, and diabetes.

As a result of factors such as age, gender, case mix, diagnosis, and demographic changes, this agency has developed programs to meet the needs of the aging veteran population and has developed a strategic plan for future health care demands. It has also considered existing services for veterans provided by the USDVA and others to limit duplication of services, conducted gap analysis to identify unmet needs, and considered the strategic direction of the state's long-term care task force recommendations, master plan documents for the metro area facilities, and other information to develop future planning initiatives.

Historical Perspective

In 1988, the legislature established the Veterans Homes Board of Directors consisting of nine members appointed by the governor. The board was charged with restructuring the homes along the lines of the medical model of operations and turning them into high quality health care facilities while also taking into consideration the special needs of the veteran population. To accomplish this dual focus, the board's membership consists of representatives from both the health care field and veterans organizations. The board has assured that facilities are operated according to stated goals and standardized practices, policies and procedures, that residents' rights are recognized and respected, and that a high quality of life is maintained for the veterans who are residents of the homes.

The veterans' organizations serve as a bridge between the concepts of the veterans homes as medical facilities and the veterans homes as special places of recognition for the service the veteran residents have provided for their country. The veteran community plays four essential roles relative to veteran residents of the homes: those of promoters, advocates, watchdogs/protectors, and donors. The veteran community has always been very supportive of the veterans homes and keeps the veteran population at large aware of the availability of services at the homes.

Key Measures

The primary measurement of service is quality of care. A minimum data set (MDS) is completed on each resident upon admission, quarterly, annually and when there is a significant change in their health status. The data is sent to the Center for Health System Research and Analysis (CHSRA) for collating. The CHSRA report compares twenty-four quality indicators which have been adopted by the Center for Medicare and Medicaid Service (CMS) as the primary quality monitoring tool for skilled nursing care. The center looks at issues such as: hydration, new fractures, falls, weight loss, medication usage, functionality, and pressure ulcers. The facility's quality indicators are compared to peer group averages. The measures that are above or below peer group averages are reviewed with the goal of developing action plans to eliminate negative variances or accepting the variance and understanding why it exists. These quality of care reports are also used by surveyors in the quality monitoring process.

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A second performance measure is budget management. Facilities are measured not only on how they generate revenues, but on how they manage expenses. The agency is currently developing additional staffing benchmarks and measures which will allow comparison of the operations of the veterans' homes with other like operations in the private, long-term care sector. This information, adjusted for the difference in our resident population, will help us better understand and explain areas where there are deviations from community data.

A third performance measure is bed occupancy. At the current time, occupancy rates are 98% statewide with significant waiting lists for admission at Fergus Falls, Luverne, and Minneapolis. Hastings and Silver Bay operate at a high occupancy level. Since the agency retains resident maintenance payments and the Veterans Affairs (VA) per diem, high occupancy maximizes revenues for the agency.

Program Funding:

The agency receives funding from three sources: a General Fund appropriation, resident payments, and federal VA per diem reimbursements. The General Fund appropriation is transferred into the special revenue fund for expenditure, and makes up about 53% of budget. Payments by the residents comprise about 24%, and are made based upon a cost of care calculation and the resident's ability to pay. VA per diem reimbursements account for about 23% of the agency's resources.

Contact

Veterans Homes Board Office
20 West 12th Street
149 Veterans Service Building
Saint Paul, Minnesota 55155
Phone: (651) 296-2073

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VETERANS HOME BOARD

Program: VETERANS HOMES

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	32,478	33,820	33,820	33,820	67,640
Technical Adjustments					
Current Law Base Change			3,945	3,945	7,890
Subtotal - Forecast Base	32,478	33,820	37,765	37,765	75,530
Governor's Recommendations					
Repair & Betterments		0	4,000	4,000	8,000
Maintain Current Service Levels		0	544	790	1,334
Compensation Adjustment		0	1,815	3,689	5,504
Total	**32,478**	**33,820**	**44,124**	**46,244**	**90,368**
Expenditures by Fund					
Direct Appropriations					
General	0	0	44,124	46,244	90,368
Statutory Appropriations					
Misc Special Revenue	64,806	68,976	31,088	32,905	63,993
Federal	237	245	0	0	0
Miscellaneous Agency	1,877	2,049	2,049	2,049	4,098
Gift	521	609	609	609	1,218
Total	**67,441**	**71,879**	**77,870**	**81,807**	**159,677**
Expenditures by Category					
Total Compensation	51,118	55,848	57,236	60,689	117,925
Other Operating Expenses	14,526	14,123	14,726	15,210	29,936
Capital Outlay & Real Property	0	0	4,000	4,000	8,000
Payments To Individuals	1,791	1,908	1,908	1,908	3,816
Local Assistance	2	0	0	0	0
Other Financial Transactions	4	0	0	0	0
Total	**67,441**	**71,879**	**77,870**	**81,807**	**159,677**
Expenditures by Activity					
Board Of Directors	1,994	1,801	1,897	1,960	3,857
Mpls Veterans Homes	35,666	37,272	40,520	42,554	83,074
Hastings Veterans Home	8,151	9,080	10,077	10,513	20,590
Silver Bay Veterans Homes	7,352	7,914	8,487	8,958	17,445
Luverne Veterans Home	7,133	8,065	8,572	9,019	17,591
Fergus Falls Veterans Home	7,145	7,747	8,317	8,803	17,120
Total	**67,441**	**71,879**	**77,870**	**81,807**	**159,677**
Full-Time Equivalents (FTE)	**937.5**	**925.3**	**921.3**	**925.3**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$4,000	$4,000	$2,000	$2,000
Revenues	0	0	0	0
Net Fiscal Impact	$4,000	$4,000	$2,000	$2,000

Recommendation
The Governor recommends an appropriation for the Veterans Homes Board (VHB) of $4 million per year in FY 2008-09 for repair and betterment projects and activities at their facilities, statewide. Base funding after FY 2009 falls to $2 million per year and would be included in their base budget in the FY 2010-11 biennium.

Background
The Veterans Homes Board provides care for veterans across the state. Many of the facilities the agency uses to deliver services were not designed to provide nursing home or long-term care services, are quite old, and require special repairs and modifications to maintain their integrity and comply with care standards for elderly residents.

The funding in this proposal will be used for the following activities: repair of interior building deficiencies; providing updates for life/safety compliance; funding replacement of ongoing wear-related items like floors and ceilings; and providing for routine mechanical repairs.

Any new funding received to facilitate repairs will be spent on projects by priority of need. The agency is requesting a larger amount of upfront funding to address maintenance needs sooner rather than later because the longer maintenance is deferred, the greater the cost of repairs will be in future.

Relationship to Base Budget
There is no allocation in the VHB base budget for repairs and betterments. The agency previously had a portion of their operating budget allocated for these activities, but increases in direct care costs for residents led to the decision to forgo maintenance and redirect those funds to maintain resident care.

Key Measures
⇒ The VHB operates five separate campuses across Minnesota - including 44 separate buildings and totaling over 800,000 square feet.
⇒ The agency has a backlog of over 130 repair and better projects waiting to be completed, ranging from re-carpeting space to remodeling of resident bathrooms.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$544	$790	$790	$790
Revenues	0	0	0	0
Net Fiscal Impact	$544	$790	$790	$790

Recommendation
The Governor recommends the Veterans Homes Board receive a General Fund appropriation of $544,000 in FY 2008 and $790,000 in FY 2009 and beyond to supplement increases in non-personnel costs.

Background
Like other agencies that operate facilities and are responsible for providing direct care, the Veterans Homes Board has seen operational costs continue to rise over the past several years. Non-personnel expenses for things like rent, fuel and utilities, medications, and food have increased each year – fuel costs have increased an average of 55% over the past two years alone. The agency has absorbed these costs in recent years, at the expense of other priorities. It is no longer possible to absorb new cost increases without reducing the quality of life and standard of care for residents of the agency's facilities.

The Veterans Homes Board faces additional difficulty in absorbing increases because the agency is required to meet multiple standards for the care of their residents – from the state Department of Health and the federal Veterans Affairs Administration. Because of these requirements, the agency has limited ability to reduce staffing, operations, and services provided to residents. Past attempts to absorb cost increases and minimize the impact on residents has caused the agency to fall short of state standards and resulted in citation by the Department of Health during inspections of the Minneapolis Veterans Home.

The agency is continuing to review contracts and explore less costly ways of obtaining goods and providing services, but the ability to implement options is further limited by existing state systems and labor agreements. In light of these restrictions, funding this proposal will help the agency sustain acceptable living and working environments for the residents and employees of Minnesota's veterans homes.

Relationship to Base Budget
The agency's base budget for non-compensation items for the upcoming biennium is approximately 19% of total expenses – about $27 million. A separate recommendation addresses compensation-related cost increases.

Key Measures
⇒ The agency operates five separate facilities around the state, and is responsible for utility costs for 44 separate buildings at these facilities.
⇒ Age and acuity level of residents create additional equipment and medication costs.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,815	$3,689	$3,689	$3,689
Revenues	0	0	0	0
Net Fiscal Impact	$1,815	$3,689	$3,689	$3,689

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 3.25% for personnel costs related to direct care.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Taxes:					
General	(18)	1	1	1	2
Total Non-Dedicated Receipts	**-18**	**1**	**1**	**1**	**2**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	29,547	30,299	31,269	32,041	63,310
Federal	7	0	0	0	0
Grants:					
Federal	228	225	0	0	0
Other Revenues:					
Misc Special Revenue	322	346	345	345	690
Miscellaneous Agency	247	302	302	302	604
Gift	680	622	615	615	1,230
Other Sources:					
Misc Special Revenue	6	0	0	0	0
Miscellaneous Agency	1,622	1,760	1,760	1,760	3,520
Taxes:					
Misc Special Revenue	29	0	0	0	0
Total Dedicated Receipts	**32,688**	**33,554**	**34,291**	**35,063**	**69,354**
Agency Total Revenue	**32,670**	**33,555**	**34,292**	**35,064**	**69,356**

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➲ Designates that this item is a change item

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Agency Purpose

The Board of Veterinary Medicine was established under the authority of M.S. Ch. 156. The board is the licensing agency for practitioners of veterinary medicine in the state of Minnesota. The board was created in 1893 to protect human and animal health and welfare through the regulation of veterinarians. Regulation is accomplished through licensure examination and renewal, as well as the investigation of complaints.

The mission of the board is:

- to promote the public's interest in receiving quality veterinary care from competent veterinarians by ensuring that veterinarians' qualifications meet the specifications established by the board; and
- to protect the public by ensuring that all licensees provide competent veterinary care.

At A Glance

Biennial Budget - FY 2006-07

Total Estimated Expenses: $523,000

Total Estimated Revenues: $593,000

Staff: 1.75 Full-time equivalent employees

Minnesota Licensed Veterinarians Statistics
(As of June 30, 2006)

Total Licensed: 2,955

Core Functions

The board accomplishes its mission by:

- setting and administering educational requirements and examination standards for licensure as a veterinarian;
- setting standards of practice and conduct for licensees and pursuing educational or disciplinary action with licensees to ensure standards are met;
- responding to public and agency inquiries, complaints, and reports regarding licensure and conduct on applicants, licensees, and unlicensed practitioners; and
- providing information and education about licensure requirements and standards of practice to the public and other interested parties.

Operations

⇒ The Board of Veterinary Medicine is made up of seven members that are appointed by the governor; five are veterinarians and two are public, non-veterinary members.

⇒ There are three-two small animal and one large animal--complaint committees that include both veterinarians and public members. Board members also serve as representatives to the Health Professional Services Program and the Council of Health Boards.

⇒ On a daily basis board staff process applications for licensure; gather information on complaints; approve, license, and audit continuing education programs; and respond to numerous inquiries from the public and licensees.

⇒ The board serves the consumers of veterinary services by licensing as veterinarians only those individuals the board has determined meet the educational, character, and examination requirements. The board also serves the public by investigating complaints and, when necessary, initiating corrective or disciplinary action against licensees who fail to maintain professional standards. The board serves the veterinary community by verifying applicant credentials for entrance into the North American Veterinary Licensing Examination and verifying licensure status to state and federal agencies and the public.

Key Measures

⇒ In FY 2006 the board reviewed and approved 139 new applications for licensure, renewed 1,475 licenses, and opened 89 complaint cases.

⇒ The board approved 49 continuing education courses and audited 46 in FY 2006.

⇒ Currently the board has 71% of its licensees using the online renewal service.

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Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be $523,000, which includes 1.75 full-time equivalent employees. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The board is estimated to collect $593,000 in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and professional firms.

Contact

Minnesota Board of Veterinary Medicine
2829 University Avenue Southeast
Suite 540
Minneapolis, Minnesota 55414

The web site at: http://www.vetmed.state.mn.us/ gives visitors easy access to useful information about veterinary medicine. Types of information available through the web site include: licensing and complaint information, Minnesota statutes and rules, disciplinary actions taken by the board, public notices, and forms.

John King, Executive Director
E-mail: vet.med@state.mn.us
Phone: (651) 201-2844
Fax: (651) 201-2842
TDD: 1 (800) 627-3529

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	7	0	0	0	0
Recommended	**7**	**0**	**0**	**0**	**0**
Change		0	0	0	0
% Biennial Change from 2006-07					-100%
State Government Spec Revenue					
Current Appropriation	171	171	171	171	342
Recommended	**171**	**171**	**230**	**195**	**425**
Change		0	59	24	83
% Biennial Change from 2006-07					24.3%
Expenditures by Fund					
Direct Appropriations					
General	7	0	0	0	0
State Government Spec Revenue	157	185	230	195	425
Open Appropriations					
State Government Spec Revenue	8	8	8	8	16
Total	**172**	**193**	**238**	**203**	**441**
Expenditures by Category					
Total Compensation	134	138	144	154	298
Other Operating Expenses	38	55	94	49	143
Total	**172**	**193**	**238**	**203**	**441**
Expenditures by Program					
Veterinary Medicine, Board Of	172	193	238	203	441
Total	**172**	**193**	**238**	**203**	**441**
Full-Time Equivalents (FTE)	**1.8**	**1.8**	**1.8**	**1.8**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**0**	**0**	**0**	**0**
Subtotal - Forecast Base	**0**	**0**	**0**	**0**
Total Governor's Recommendations	**0**	**0**	**0**	**0**
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**171**	**171**	**171**	**342**
Subtotal - Forecast Base	**171**	**171**	**171**	**342**
Change Items				
Operating Budget Changes	0	55	15	70
Compensation Adjustment	0	4	9	13
Total Governor's Recommendations	**171**	**230**	**195**	**425**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**8**	**8**	**8**	**16**
Total Governor's Recommendations	**8**	**8**	**8**	**16**

Revenue Change Items

Fund: STATE GOVERNMENT SPEC REVENUE				
Change Items				
Operating Budget Changes	0	5	5	10

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Gov't Special Rev Fund				
Expenditures	55	15	15	15
Revenues	5	5	5	5
Net Fiscal Impact	$50	$10	$10	$10

Recommendation

The Governor recommends changes to the Board of Veterinary Medicine's budget by increasing its annual appropriation to address non-salary operating expenses and to collect additional fees for license verification and continuing education approvals. The proposal would increase the board's annual appropriation by $55,000 in FY 2008 and $15,000 in FY 2009 to cover the cost of investigations and credit card processing fees. The additional fees would provide an additional $5,000 annually.

Background

One-Time Legal Expenses

The board is expecting to be involved in a lengthy, expensive contested case in the upcoming biennium. Costs associated with contested cases include the Office of Administrative Hearing (OAH), professional contracts for expert witnesses, court fees, and additional staff time. Historically, the board has spent between $0 and $5,000 each year for expert witness and OAH services. In FY 2008 the board is expecting to spend $40,000 for these services and is seeking a one-time increase to cover these costs. Attorney General (AG) expenses will also increase, but the board does not receive a direct appropriation for AG services; rather, the board is responsible for collecting sufficient revenue to cover the AG's expenses.

Non-Salary Operating Expenses

Over the past six years, the number of licensees has increased from 2,742 to 2,955 and the number of complaints has increased from 43 in FY 2001 to 89 in FY 2006, a 107% increase. In addition, the cases have become more complex and take more time to resolve, which increases the overall costs of investigations and litigation.

In an effort to improve customer service to licensees, the board has implemented an online licensing renewal system; however, in providing the service, the board incurs processing fees from credit card companies and banks administering the transaction. The board expects to pay $4,000 annually in processing fees over the next biennium.

Fee Changes and Cost Recovery

Veterinarians licensed in Minnesota who are applying for licensure in other states must first receive verification from the board. The board currently processes approximately 125 license verifications annually. Also, the board approves continuing education sponsors and programs prior to the course being offered to ensure that educational requirements are met. The board approves approximately 30 continuing education courses annually. Adding fees for license verification and continuing education sponsor approval will allow the board to collect a small amount of additional revenue, which will offset the cost of providing these services. Other health licensing boards in Minnesota and other veterinary boards throughout the country currently collect the proposed fees.

Relationship to Base Budget

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program and the Administrative Services Unit.

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Total direct and indirect expenditures for FY 2008-09 are estimated to be $592,000. The board is estimated to collect $620,000 in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

Key Measures

The additional resources will assist the board in meeting the following key measures:

- review and approve licenses in a timely manner;
- promptly investigate complaints and resolve investigations; and
- protect the citizens by identifying and disciplining impaired practitioners.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Gov't Special Rev Fund				
Expenditures	4	9	9	9
Revenues	0	0	0	0
Net Fiscal Impact	$4	$9	$9	$9

Recommendation
The Governor recommends additional funding of $4,000 in FY 2008 and $9,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs and 3.25% for other funds.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
State Government Spec Revenue	310	310	315	315	630
Other Revenues:					
State Government Spec Revenue	(4)	0	0	0	0
Total Non-Dedicated Receipts	**306**	**310**	**315**	**315**	**630**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**306**	**310**	**315**	**315**	**630**

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➲ Designates that this item is a change item

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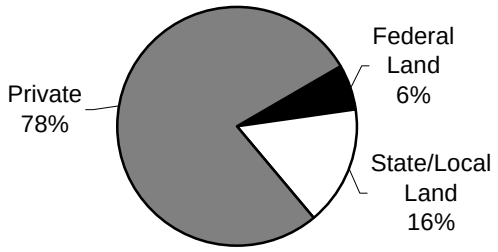
Agency Purpose

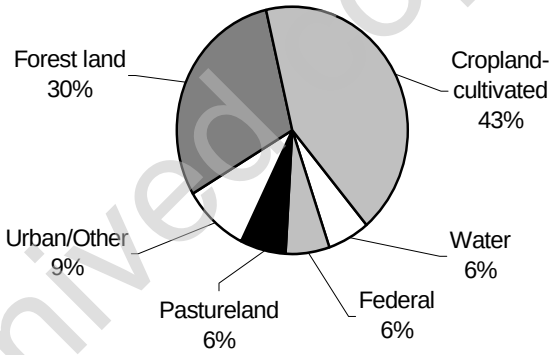
The Board of Water and Soil Resources (BWSR) is charged with implementing state soil and water conservation and wetland policies locally. It works with local governments to achieve state and local goals for soil and water resources. Agency focus is on channeling technical and financial assistance to the local level to achieve targeted results on privately held lands.

Because 78% of the state is held in private ownership, the agency's focus on private lands is critical to the state attaining its goals for clean water, clean air and abundant fish and wildlife. Managed wisely, these working lands – Minnesota's farms, forests and urban areas – can contribute to the state's environmental goals of cleaner air and water, protection of fish and wildlife habitat and preservation of open spaces.

Land Ownership



Variety of Land Uses



At A Glance

Local Government Delivery System:

Agency responsibilities are delivered with or implemented by local government to assure local priorities are met and water and soil conservation programs are implemented on private lands. The agency oversees and assists a variety of governmental units:

- Soil and Water Conservation Districts (SWCD) – 91 SWCDs; 450 Elected Supervisors; 347 District Employees
- Watershed Districts – 46 Watershed Districts; 220 Managers; 66 Employees
- Watershed Management Organizations (WMO) – 27 WMOs; 162 Members
- 87 Counties
- 230 Cities
- 304 Local governmental units involved in implementing the Wetland Conservation Act.

Accomplishments *:

- 179,235 acres of wildlife habitat and wetlands restored on private land through Reinvest in Minnesota (RIM) Reserve
- 29,588 acres of wetland loss avoided
- 125 feedlots modified to reduce pollutants through the state cost share program
- 370,000 tons per year of prevented soil erosion
- 570,000 tons of sediment kept out of lakes, rivers and streams
- 650,000 pounds of phosphorus kept out of lakes, rivers and streams.

* Years 2003 through July 2006. Source: eLINK system

The board implements the Wetland Conservation Act, Reinvest in Minnesota (RIM) Reserve, water quality incentives, and comprehensive local water management through local units of government. The agency is the state's administrative agency for 91 soil and water conservation districts, 46 watershed districts, 27 metropolitan watersheds and 80 county water management organizations.

Agency programs to assist landowners and local government have resulted in less sediment and nutrients entering our lakes, rivers, and streams; more fish and wildlife habitat; and the drastic slowing of wetland losses.

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These outcomes are achieved in spite of intensification of agriculture, greater demands for forest products, and urbanization in many parts of the state.

Core Functions

BWSR's mission is implemented through the following core functions:

- serve as the state soil conservation agency (M.S. 103B.101);
- direct private land, soil, and water conservation programs through the state's SWCD's, counties, cities, townships, Watershed Districts, and Water Management Organizations (M.S. 103B, 103C, 103D);
- promote linkage of water resource planning with comprehensive land use planning (M.S. 103B);
- provide resolution of water policy conflicts and issues (M.S. 103A.211, 103A.305, 103A.315, 103A.311);
- implement all comprehensive local water management acts (M.S. 103B.201, 103B.255, 103B.301);
- provide a forum (through the board) for local issues, priorities, and opportunities to be incorporated into state public policy (M.S. 103B.101);
- enforce the state Wetland Conservation Act (M.S. 103G); and
- coordinate state and federal resources to realize local priorities.

Operations

The board consists of 17 members representing local government entities, state agencies, and citizens. The board sets a policy agenda designed to enhance service delivery though the use of local government. Agency staff is located in eight geographically distributed areas throughout Minnesota. The focus of agency staff is to provide technical and financial assistance to local government to plan and implement policy on private lands. The agency also works with private landowners to implement conservation on the ground. This provides an opportunity to apply state, federal, local, and private resources to projects to improve water quality, prevent soil loss and erosion, plan for future land use, and protect wetlands located on private lands. These partnerships in service delivery ensure that the interest of state policy is implemented with local issues and problems in mind.

Budget

Two-year state budget:

- $30.671 million for FY 2006-2007 biennium
- $22.525 million (73%) in grants
- FY 2007 full-time: 70.05 FTE, of which 48.6 FTE are funded by General Fund.

The primary funding source for agency operations is the General Fund. For FY 2007, 82% of the agency's total budget was General Fund, excluding bond funds.

Contact

Minnesota Board of Water and Soil Resources
520 Lafayette Road
Saint Paul, Minnesota 55155

BWSR Home page: http://www.bwsr.state.mn.us
Office of the Executive Director
Phone: (651) 296-3767
Fax: (651) 297-5615

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Environment & Natural Resource					
Current Appropriation	900	900	900	900	1,800
Recommended	**900**	**900**	**0**	**0**	**0**
Change		0	(900)	(900)	(1,800)
% Biennial Change from 2006-07					-100%
General					
Current Appropriation	16,140	21,071	21,071	21,071	42,142
Recommended	**16,140**	**21,071**	**22,369**	**22,728**	**45,097**
Change		0	1,298	1,657	2,955
% Biennial Change from 2006-07					21.2%
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	1,135	900	0	0	0
General	15,061	23,146	22,669	22,928	45,597
Statutory Appropriations					
Misc Special Revenue	1,459	2,326	1,438	1,438	2,876
Federal	28	548	0	0	0
Total	**17,683**	**26,920**	**24,107**	**24,366**	**48,473**
Expenditures by Category					
Total Compensation	3,485	3,640	4,727	4,796	9,523
Other Operating Expenses	1,391	2,000	1,283	1,073	2,356
Capital Outlay & Real Property	606	1,385	931	931	1,862
Local Assistance	12,201	19,895	17,166	17,566	34,732
Total	**17,683**	**26,920**	**24,107**	**24,366**	**48,473**
Expenditures by Program					
Water & Soil Resrcs Bd	17,683	26,920	24,107	24,366	48,473
Total	**17,683**	**26,920**	**24,107**	**24,366**	**48,473**
Full-Time Equivalents (FTE)	**44.3**	**41.5**	**51.0**	**53.0**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2007 Appropriations	**900**	**900**	**900**	**1,800**
Technical Adjustments				
One-time Appropriations		(900)	(900)	(1,800)
Subtotal - Forecast Base	**900**	**0**	**0**	**0**
Total Governor's Recommendations	**900**	**0**	**0**	**0**
Fund: GENERAL				
FY 2007 Appropriations	**21,071**	**21,071**	**21,071**	**42,142**
Technical Adjustments				
One-time Appropriations		(5,840)	(5,840)	(11,680)
Subtotal - Forecast Base	**21,071**	**15,231**	**15,231**	**30,462**
Change Items				
Clean Water Legacy Act	0	5,450	5,450	10,900
Drainage Work Group Implementation	0	450	800	1,250
Wetland Conservation Act	0	1,120	1,060	2,180
Operating Support - Rent Increase	0	50	50	100
Compensation Adjustment	0	68	137	205
Total Governor's Recommendations	**21,071**	**22,369**	**22,728**	**45,097**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**2,326**	**1,438**	**1,438**	**2,876**
Total Governor's Recommendations	**2,326**	**1,438**	**1,438**	**2,876**
Fund: FEDERAL				
Planned Statutory Spending	**548**	**0**	**0**	**0**
Total Governor's Recommendations	**548**	**0**	**0**	**0**

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Program Description

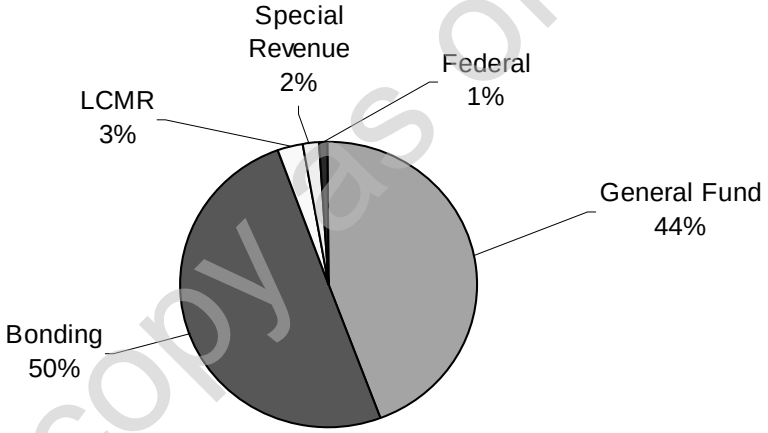
The purpose of this program is to provide the necessary resources to implement the state's soil and water conservation policy; to facilitate comprehensive local water management; and to enforce the Wetland Conservation Act. Program resources support agency and local government staff implementing conservation and resource protection programs locally. The financial and technical support provided through grants and staffing assist local government to deliver on state mandated resource protection objectives.

Budget Activities

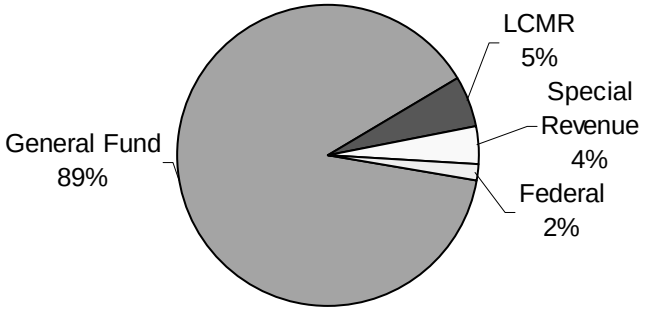
- ⇒ BWSR Operations
- ⇒ Grants to Local Governments
- ⇒ Easements
- ⇒ Wetland Conservation Act
- ⇒ Clean Water Legacy
- ⇒ Public Drainage

Financing

FY2006-2007 Operating Funds (Including Bonding) $69.5 Million



FY2006-2007 Operatng Funds (Excluding Bonding) $34.5 Million



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WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	1,135	900	0	0	0
General	15,061	23,146	22,669	22,928	45,597
Statutory Appropriations					
Misc Special Revenue	1,459	2,326	1,438	1,438	2,876
Federal	28	548	0	0	0
Total	**17,683**	**26,920**	**24,107**	**24,366**	**48,473**
Expenditures by Category					
Total Compensation	3,485	3,640	4,727	4,796	9,523
Other Operating Expenses	1,391	2,000	1,283	1,073	2,356
Capital Outlay & Real Property	606	1,385	931	931	1,862
Local Assistance	12,201	19,895	17,166	17,566	34,732
Total	**17,683**	**26,920**	**24,107**	**24,366**	**48,473**
Expenditures by Activity					
Bwsr Operations	5,374	6,472	7,291	7,650	14,941
Grants To Local Govt	12,008	14,062	16,816	16,716	33,532
Easements	193	545	0	0	0
Clean Water Legacy	108	5,841	0	0	0
Total	**17,683**	**26,920**	**24,107**	**24,366**	**48,473**
Full-Time Equivalents (FTE)	**44.3**	**41.5**	**51.0**	**53.0**	

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Activity Description

This activity exists to provide technical and administrative resources to assure state soil and water resource goals and objectives are met. The activity provides agency staff support to local governments for implementation of the state's soil and water conservation policy, resource protection programs required by the Wetland Conservation Act (WCA), staff support for local water planning, and technical assistance for conservation projects implemented on private land.

Activity at a Glance

Activity Clientele

- Local Units of Government
  - ⇒ 91 SWCD's
  - ⇒ 46 Watershed Districts
  - ⇒ 27 WMO's
  - ⇒ 87 Counties
  - ⇒ 304 WCA Authorities
- Private landowners throughout the state
- Other state and federal conservation partners
- Private conservation organizations

Available Statewide Land Resources

- 41.7 million acres of private lands including
  - ⇒ 23 million acres of cropland
  - ⇒ 5.3 million acres of private forested land
  - ⇒ 7.4 million acres of wetlands

Population Served

This activity provides services to local governments for the implementation of soil conservation and water management practices, especially on privately owned lands. Meeting state environmental goals requires working with a broad network of local governments who each posses some of the tools to address particular issues in land and water management. Almost 800 local units of government are empowered to deliver services on behalf of the agency to achieve the state soil and water conservation goals. These entities are clients, as well as agents, in that they receive technical and administrative support from the activity but also serve as the activity's major service provider.

Services Provided

Following is a description of key services provided by the Board of Water and Soil Resources (BWSR):

Soil and Water Conservation Districts (SWCD) M.S. 103C

⇒ Hear petitions and order formation, consolidation and/or division of districts, approve location changes, conduct referenda and order discontinuance of districts as needed.

⇒ Approve changes to the nominating process for districts elections, hear petitions and order removal of elected supervisors as necessary.

⇒ Establish and enforce penalties for violation of grant programs and/or misconduct of supervisors or SWCD employees.

⇒ Approve and administer state grants, and coordinate programs and activities with state and federal agencies.

⇒ Develop programs designed to achieve soil and water conservation goals.

⇒ Review and approve local soil and water conservation improvement projects.

Watershed Districts and Watershed Management Organizations (WMOs) M.S. 103B and D

⇒ Establish, define boundaries, enlarge, consolidate or terminate districts; and appoint an initial board of managers for new districts.

⇒ Receive and hear appeals of district project orders.

⇒ Receive annual audits and reports, enforce member eligibility requirements, and assign areas to associated counties for watershed management.

⇒ Approve management plans and revisions; review rules and regulations; review and approve engineering reports on proposed projects; and approve plans for establishing storm water utility fees.

⇒ Investigate misconduct of district managers as necessary.

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Counties and Cities M.S. 103B, F and G

⇒ Approve land management plans.
⇒ Hear and decide appeals of wetland replacement, wetland exemption determinations and municipal contracts with water plans.
⇒ Rescind enforcement authority for the Wetland Conservation Act (WCA) and impose building moratoriums as necessary.
⇒ Certify employees' completion of wetland delineation training and certify wetland banking transactions.
⇒ Approve comprehensive local water management plans and revisions.
⇒ Approve and allocate grant funding to counties; conduct audits and investigate potential grant violations.

Wetland Conservation Act M.S. 103A, B and G

⇒ Review projects, resolve disputes, and decide appeals.
⇒ Participate on technical evaluation panels.
⇒ Support interagency coordination and enforcement.
⇒ Evaluate local government unit (LGU) performance.
⇒ Administer program rules, banking, forms, manuals, training, and delineator certification.
⇒ Develop, review, and approve local wetland plans and ordinances.
⇒ Acquire land and develop procedures for the local government wetland road replacement program.

Comprehensive Local Water Management Program M.S. 103

⇒ Develop program guidelines for submitting local water management plans, including citizen involvement.
⇒ Review and approve plans submitted.
⇒ Resolve disputes arising from planning process.
⇒ Support local implementation of water management plans.
⇒ Support development and adoption of local ordinances to protect and improve water quality or quantity.
⇒ Support and provide technical assistance for the installation of practices to protect, conserve or improve water quality or quantity.

Drainage Management

⇒ Implement the 2005 legislature's directive to assess implementation of public drainage system buffers and their use, maintenance and benefits in cooperation with farm groups, SWCD's, watershed districts, counties, conservation organizations, and the federal government.
⇒ Analyze group recommendations regarding developing methods for modernizing drainage records, educating landowners on best management practices, and the efficacy of current reporting requirements for future implementation.
⇒ Prepare and present findings and recommendations to the legislature.

RIM RESERVE/Permanent Wetland Preserves/Conservation Reserve Enhancement Program M.S. 103F.506 – 103F.535

⇒ Keep certain marginal agricultural land out of crop production to protect soil and water quality and support fish and wildlife habitat.
⇒ Acquire conservation easements from landowners to restore wetlands and establish wildlife habitat.

Historical Perspective

The agency was created in 1987 as a result of the merger of the Water Planning Board, the Southern Minnesota Rivers Basin Council and the Minnesota Soil and Water Conservation Board. The history of the agency dates back to the 1930s in some form. BWSR is different from other agencies because of its board of local officials, citizens, and state agencies. This forum is unique in its ability to bring diverse interests together to coordinate activities and achieve mutual goals. The board also provides a means for local government to have input into the administrative branch of government regarding soil and water resource issues.

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The RIM program enacted in 1986 added the ability to use conservation easements as another tool in the protection of water quality. Soil loss, sediment control, phosphorus reduction, and creation of fish and wildlife habitat are some of the demonstrated benefits of conservation easements.

In 1991 the activity added a major regulatory function with the passage of the Wetland Conservation Act. The goal of the act is no net loss of wetlands in the state. The WCA is intended to ensure both the quality and quantity of Minnesota wetlands. Activity efforts focus on restoring wetlands that have been drained or filled for agriculture or wetlands that are disturbed for urban development and transportation projects.

Current Issues

Drainage Management
The 2005 legislature directed BWSR to conduct an assessment of the use, maintenance, and benefits of required grass strips along public drainage ditches. A work group of stakeholders was formed and decided not only to provide perspective and recommendations for this study, but also to explore other drainage issues, potential areas of consensus and associated recommendations.

The group recommended (1) developing method(s) for modernizing drainage records; (2) developing a Best Management Practices (BMP) Manual to promote landowner education; (3) further consideration of the advisability of requiring regular reporting by drainage authorities; and (4) the work group seek consensus recommendations and provide them to the 2007 legislature.

Office of the Legislative Auditor (OLA)
OLA has been asked to study the effectiveness of the state's multi-layered structure for managing watersheds. In additional, some legislators want to know if individual local watershed organizations are well managed and whether BWSR is adequately overseeing them. The evaluation will focus primarily on those organizations most directly involved in watershed management – watershed districts, watershed management organizations, soil and water conservation districts, counties, and BWSR. It is anticipated that increased oversight activity and facilitation of governance option workshops will create a demand for additional appropriations.

Clean Water Legacy Act (CWLA)
The CWLA was enacted by the 2006 legislature and provided first-year funding to begin addressing impaired waters as required by the federal Clean Water Act. BWSR received $5.84 million for grants to support lake and river protection; implementation of individual sewage treatment system programs; reporting and evaluation of program results; granting cost-share incentive payments; and providing technical compliance and engineering assistance to local projects.

Key Measures
See key measures for individual activities.

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WATER & SOIL RESOURCES BOARD
Program: WATER & SOIL RESRCS BD
Activity: BWSR OPERATIONS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	636	400	0	0	0
General	3,892	4,293	6,291	6,650	12,941
Statutory Appropriations					
Misc Special Revenue	846	1,779	1,000	1,000	2,000
Total	**5,374**	**6,472**	**7,291**	**7,650**	**14,941**
Expenditures by Category					
Total Compensation	3,361	3,603	4,727	4,796	9,523
Other Operating Expenses	1,374	1,484	1,283	1,073	2,356
Capital Outlay & Real Property	463	1,235	781	781	1,562
Local Assistance	176	150	500	1,000	1,500
Total	**5,374**	**6,472**	**7,291**	**7,650**	**14,941**
Full-Time Equivalents (FTE)	**42.4**	**41.0**	**51.0**	**53.0**	

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Activity Description

Grant programs provide funding to local units of government to deliver soil and water conservation services to their communities. The funding is used for local program administration and implementation of conservation projects. The goal is to meet state objectives for clean water, clean air, and abundant fish and wildlife habitat.

Population Served

The activity issues grants to a core delivery network of 200 organizations. Grant funds are used to implement local water management programs and to cost-share with private landowners who install conservation practices on their land to benefit state water and soil resources.

Services Provided

Local units of government and landowners use these financial incentives primarily to implement conservation practices. The majority of these funds leverage federal and landowner dollars as part of a required local match. Funding is also provided for limited planning and regulatory activities. These dollars help local governments manage the quantity and quality of their water and provide need funds to construct projects that improve water resources.

Funding for wetland regulatory activities allows local governments to protect wetland resources in their communities. The funding and regulatory authority they receive through Board of Water and Soil Resources (BWSR) programs allows them to identify and protect wetlands from development.

Finally, funding is provided to support the administrative operations of soil and water conservation districts. Counties provide the majority of funding for these operations. The state contribution assists in providing resources for staff and operating expenses associated with Soil and Water Conservation Districts (SWCD) delivery of state programs.

Activity at a Glance

Reporting for Years 2003 through July 2006

Land and Water Treatment Projects

- 4,200 projects statewide
- $23.87 million in total costs
- $9.36 million in state grants
- $1.459 million in state loans
- $5,849,966 in landowner costs
- $4.122 million in federal grants
- $901,000 in federal loans
- $867,000 in Minnesota Pollution Control Agency state loans
- $2.179 million: Local Government Unit cost
- 370,000 tons per year estimated soil loss reduction
- 570,400 tons per year estimated sediment reduction
- 650,000 tons per year estimated phosphorus reduction

Feedlot Water Quality Cost Share Projects

- 125 projects
- 35,000 tons estimated phosphorus reduction annually

Historical Perspective

The state has provided funding to SWCD's to assist with the expenses of their operations, to perform maintenance inspections on Reinvest in Minnesota (RIM) easements and to provide local engineering services for state and federal cost share projects.

Cost share funding is provided to construct water quality and erosion control treatment practices. There are a wide variety of practices that can be implemented depending upon the specific nature or condition of the resource or the objective to be achieved by implementing the practice. The activity funds are matched with landowner contributions and frequently also matched with local and federal contributions. There has been an increase in funding for feedlot cost share as the state has identified a 10-year plan to solve the problem of polluting feedlots in the state. Cost share funding is a major component of that plan and is provided to producers to assist them in complying with rules and regulations for feedlots.

The natural resources block grant provides funding for program administration at the local level for water planning, shore land management, and enforcement of the Wetland Conservation Act. Competitive funding for high priority local water planning projects was provided in the past through a challenge grant program that was eliminated in the 2003 budget reductions.

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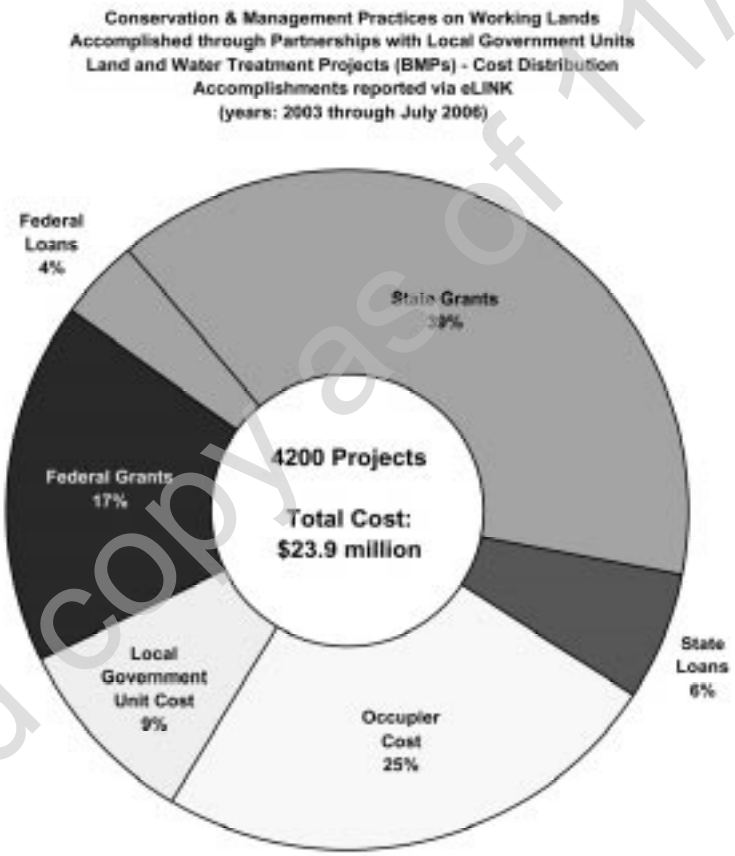
Current Issue

The summer of 2006 saw drought conditions severely impact livestock producers in 36 disaster-declared counties in the northwest part of the state. BWSR reallocated $500,000 of cost-share funds to assist with water supplies for livestock operations.

Key Measures

As a key measure, the percent of land eroding at less than sustainable soil erosion limits from water and wind will demonstrate the effectiveness of grant funded projects on maintaining soil on the land where it belongs. Annual results reported include estimated soil loss reduction of 370,000 tons per year, estimated sediment reduction of 570,000 tons per year, and estimated phosphorus reduction of 650,000 pounds per year. In addition, conservation partnerships are developed to provide a minimum of one to one match for state project dollars. (See outcome data in "Activity at a Glance" section.)



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WATER & SOIL RESOURCES BOARD
Program: WATER & SOIL RESRCS BD
Activity: GRANTS TO LOCAL GOVT

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	499	500	0	0	0
General	10,961	13,012	16,378	16,278	32,656
Statutory Appropriations					
Misc Special Revenue	520	502	438	438	876
Federal	28	48	0	0	0
Total	**12,008**	**14,062**	**16,816**	**16,716**	**33,532**
Expenditures by Category					
Total Compensation	48	0	0	0	0
Other Operating Expenses	(108)	7	0	0	0
Capital Outlay & Real Property	143	150	150	150	300
Local Assistance	11,925	13,905	16,666	16,566	33,232
Total	**12,008**	**14,062**	**16,816**	**16,716**	**33,532**
Full-Time Equivalents (FTE)	**0.9**	**0.0**	**0.0**	**0.0**	

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Activity Description

The Reinvest in Minnesota Reserve (RIM Reserve) program establishes the activity's ability to take conservation easements on private lands. Keeping marginal agricultural land out of production protects soil and water quality and fish and wildlife habitat. The conservation easement is one of the many resource management tools provided to local government to work with landowners for managing and protecting our state's working lands. Easements provide public benefits without removing lands from local tax rolls or having the state incur the costs and liabilities of ownership.

Activity at a Glance

Land and Water Treatment Projects

- 4,903 easements (1986-2006)
- Number of acres enrolled in easement programs
  - ⇒ RIM 58,363
  - ⇒ RIM/CREP 102,273
  - ⇒ RIM/WRP 7,109
  - ⇒ PWP 11,490
- Acres by land type enrolled:
  - ⇒ Marginal Cropland 14,689
  - ⇒ Riparian 67,679
  - ⇒ Sensitive Groundwater 1,355
  - ⇒ Wetlands Restored 81,686
  - ⇒ Other 14,108
- 9.6 tons per acre per year soil loss reduction
- 4.7 tons per acre per year sediment reduction
- 5.8 pounds per acre per year phosphorus reduction
- State dollars invested in easements $169,923,000
- Federal dollars matched for easements $200,612,000

Population Served

Services of the activity are provided to local governments who serve as a sales force for the state. Their effectiveness is manifested in landowner demand that is historically double the supply of easement money.

Services Provided

The activity provides financial incentives to landowners in exchange for a conservation easement that defines future land use options. In exchange for compensation for the easement, the landowner agrees to take the land permanently out of crop production or pasture. The land is then restored to a natural state, using native grasses and wetland restoration techniques. The benefits derived are improvements to water quality, reduction in soil loss and sediment and habitat creation. Resources of this activity leverage federal US. Department of Agriculture (USDA) programs like the Conservation Reserve Program (CRP) and the Wetland Replacement Program (WRP) to maximize benefits.

Historical Perspective

In 1986 The Reinvest in Minnesota Act (RIM) was created to keep certain marginal agricultural land out of crop production or from being pastured in order to protect water quality and increase fish and wildlife habitat. In the 1996 Federal Farm Bill, a CRP was authorized. The Minnesota legislature authorized funding to supplement the federal CRP program. Called the Minnesota Conservation Reserve Enhancement Program (CREP), it was one of the first state efforts to be approved in the nation and has resulted in over 100,000 acres of easements acquired over the last four years.

In 2004, Governor Pawlenty submitted Minnesota's second CREP (CREP II) application to USDA that would secure an additional 120,000 acres to be targeted in three watersheds in Minnesota. This will require the state legislature to appropriate $50.7 million in bonding funds that will leverage $200 million in CRP funds for Minnesota.

Current Issue

Successful enrolling of conservation easements by Board of Water and Soil Resources (BWSR) and various nonprofit groups has allowed the state to accomplish many natural resource management goals without having to purchase land outright. Easements offer the advantage of protecting large tracts of land that may not otherwise be available for sale. They also keep these privately held lands on local tax rolls without incurring the maintenance funding "tails" associated with land ownership. As conservation easements increase concurrent with a trend toward small tract ownership, the ability of landowners to both understand and carry out their maintenance responsibilities becomes a problem. There is a need for nonprofits, Department of Natural Resources, BWSR and the agricultural community to assess land maintenance techniques and identify where state level assistance may

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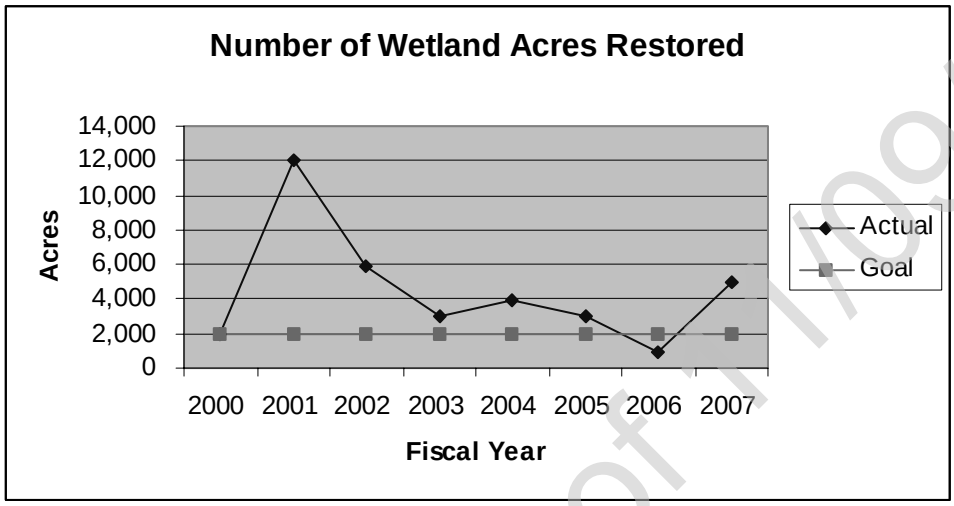
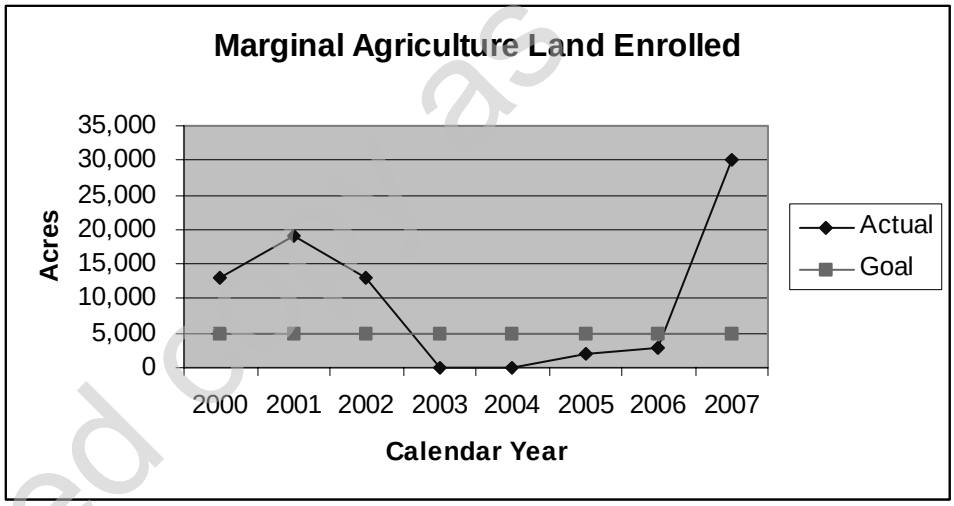
be required. For example, periodic controlled burns are necessary for managing many of the native prairie species that have been planted in riparian buffers and around wetland restoration projects. Aside from the technical complexity of undertaking burns, insurance and liability issues often present a formidable obstacle.

Key Measures





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WATER & SOIL RESOURCES BOARD
Program: WATER & SOIL RESRCS BD
Activity: EASEMENTS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	100	0	0	0	0
Statutory Appropriations					
Misc Special Revenue	93	45	0	0	0
Federal	0	500	0	0	0
Total	**193**	**545**	**0**	**0**	**0**
Expenditures by Category					
Total Compensation	24	37	0	0	0
Other Operating Expenses	69	8	0	0	0
Local Assistance	100	500	0	0	0
Total	**193**	**545**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**0.5**	**0.5**	**0.0**	**0.0**	

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Activity Description

The 2006 legislature enacted the Clean Water Legacy Act (CWLA) to continue to identify impaired waters, conduct total maximum daily load (TMDL) studies and implement cleanup activities in accordance with the federal Clean Water Act. Funds were appropriated to Board of Water and Soil Resources (BWSR) to implement nonpoint pollution reduction programs as part of the state's overall effort to address its impaired waters. Authorized funding will provide one-time funding for local government project grants, technical assistance and program reporting and evaluation services. This activity differs from the grants budget activity in its greater emphasis on selecting priority projects identified in local water plans or contained in approved TMDL implementation plans.

Activity at a Glance

Clean Water Legacy Appropriations

- $1.5 million for target nonpoint restoration cost-share and incentive payments.
- $2.0 million for target nonpoint restoration technical, compliance, and engineering assistance activities.
- $200,000 for reporting and evaluation of applied soil and water conservation practices.
- $730,000 for grants to implement county Individual Sewer Treatment System programs.
- $1.41 million for grants to support local nonpoint source protection activities.

Population Served

CWLA funds are appropriated through the Local Water Resources Protection and Management Program (M.S. 103B.3369). These funds can be directed to cities, towns, counties, soil and water conservation districts, watershed districts, joint-powers organizations, or other special purpose district or authority with local jurisdiction in water and related land resources management.

Services Provided

The majority of Minnesota's listed impaired waters are caused by nonpoint source pollution. The pass through grants and reporting activities are targeted at protecting or restoring waters identified in an approved TMDL implementation plan or listed as a priority within Local Water Management Plans approved under M.S. 103B. The majority of these funds will leverage federal, local, or landowner dollars.

Historical Perspective

CWLA appropriations were discussed in the 2004, 2005, and 2006 legislative sessions. The appropriation passed by the 2006 legislature is available for FY 2007, which requires BWSR to encumber the funds to local government units no later then 6-30-2007. Various alternatives were discussed in the legislative progress for a long-term source of funding for the CWLA without success. The current sources of CWLA funds are the General Fund.

Key Measures

BWSR captures the outcomes associated with grant programs to an Internet-based reporting system call eLINK. eLINK has the ability to capture project scope, funding sources, and estimated pollutant reductions while tying all this data to a geographic information system for visual display proposes. The system is being altered to allow for tracking of CWLA funds. Due to the legislative intent to apply these funds only to priorities contained in local water management plans and on-the-ground activities contained in approved TMDL implementation plans, the estimated pollutant reduction and funds leveraged by state sources should increase. In the long-term, the number of waters de-listed from the Pollution Control Agency (PCA) impaired waters list will grow.

Current Issue

In the 2006 session the legislature appropriated $5.84 million to BWSR for the Clean Water Legacy Act as a one-time appropriation. The issue of permanent funding has yet to be resolved for this program.

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WATER & SOIL RESOURCES BOARD
Program: WATER & SOIL RESRCS BD
Activity: CLEAN WATER LEGACY

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	108	5,841	0	0	0
Total	**108**	**5,841**	**0**	**0**	**0**
Expenditures by Category					
Total Compensation	52	0	0	0	0
Other Operating Expenses	56	501	0	0	0
Local Assistance	0	5,340	0	0	0
Total	**108**	**5,841**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**0.5**	**0.0**	**0.0**	**0.0**	

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$5,450	$5,450	$5,450	$5,450
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$5,450	$5,450	$5,450	$5,450

Recommendation

The Governor recommends $10.9 million for the biennium for non-point source restoration and protection measures to clean up state waters that are impaired and to protect waters of the state that are not impaired from becoming impaired.

Background

The Clean Water Legacy Act (CWLA), passed by the 2006 legislature, provided one-time appropriations for non-point source pollution management and restoration of impaired waters. The four major components of the CWLA and associated appropriations in 2006 included, assessing the condition of the sates waters, developing TMDL studies and restoration plans for those waters that are listed as impaired, implementing non-point and point source restoration strategies to restore waters that are impaired, and implementing practices to protect waters of the state from becoming impaired.

The following amounts are requested for water restoration and pollution prevention actions over the FY 2008-2009 biennium. All money appropriated as grants to local governments will be administered through the Water & Soil Resources Board (BWSR)'s Local Water Resources Protection and Management Program (103B.3369).

$3 Million for targeted non-point restoration cost-share and incentive payments

⇒ Provide financial assistance to offset a portion of landowner costs to implement agricultural, forestry and urban non-point source pollution best management practices.
⇒ Leverage federal farm bill conservation programs such as EQIP.
⇒ Target implementation requests submitted from areas with implementation plans completed by 2008.
⇒ Utilize SWCD's as the local administrator, similar to our regular cost-share program.

$4 million for targeted non-point restoration technical, compliance, and engineering assistance activities.

⇒ Provide technical and engineering assistance that landowners need for planning, design, and implementation of a wide variety of water quality improvement practices.
⇒ Channel funding through local governments, with primary emphasis on those SWCD's and Non-point Engineering Assistance Teams in impaired watershed and lake basins.
⇒ Leverage farm bill conservation and technical assistance programs.

$400,000 for reporting and evaluation of applied soil and water conservation practices

This activity will enhance the eLINK reporting system so that it becomes the primary mechanism for local governments to report projects and activities that will be conducted as part of a local TMDL implementation plan, and/or protection plan. Funds will also provide additional user support to local government offices that will be entering data into eLINK.

$1.5 million for grants for implementation of county individual sewage treatment programs

These funds will be disbursed statewide to counties to assist them in addressing non-conforming and failing septic systems and to support the implementation of county ISTS ordinances. These grants will be administered by BWSR as part of the base grant provisions (NRBG) of the LWRPMP.

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$2 million for grants to support local non-point source protection activities related to lake and river protection and management
These grants are designed to accelerate lake and river non-point source protection activities. These funds will allow local governments with state approved and locally adopted comprehensive local water management plans to apply for to help them implement programs and projects designed to protect high priority surface water resources form becoming impaired.

Relationship to Base Budget
This request represents a 24% increase in BWSR's biennial budget. Agency activities impacted by this request include grants to local government, agency administration necessary to manage pass-through grants, and an increase in the required agency technical and engineering services.

Key Measures
- ⇒ Coordinate funding decisions with programs such as MPCA's section 319 program and MDA's AgBMP loan programs.
- ⇒ Create a single point of entry for the various partners that will be engaged in implementing TMDL plans.
- ⇒ Utilize BWSR's current eLINK grant and reporting system to measure the reduction in sediment, nutrients and other pollutants to impaired waters.
- ⇒ Provide multi-year commitments.
- ⇒ The removal of impaired waters from the state 303d list beginning in five years.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$450	$800	$300	$300
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$450	$800	$300	$300

Recommendation
The Governor recommends implementing priority recommendations of the Drainage Work Group to enhance public drainage system management. This request includes development of guidelines for drainage records preservation and modernization ($150,000 in FY 2008); accelerated cost-share to local units of government for records modernization, ($500,000 in FY 2009); and 3 FTE ($300,000 per year) to provide assistance to local drainage management officials and to update the Minnesota Public Drainage Manual.

Background
The Drainage Work Group and its recommendations are an outgrowth of the Public Drainage Ditch Buffer Study, commissioned by the Legislature in 2005 and completed by the Board of Water and Soil Resources (BWSR) in February 2006. The stakeholder group established for the Study has continued to meet and develop consensus recommendations to enhance public drainage system management. These budget proposals represent their highest priority items.

Minnesota has approximately 20,000 miles of public drainage ditches and an undocumented total length of public tile systems. These are critical infrastructure for agricultural production in much of the state. Preservation and modernization of public drainage system records, using current technology, enables more efficient and effective management of public drainage infrastructure. Approximately 101 counties and/or watershed districts in Minnesota are drainage authorities for public drainage systems. Thirty-three of these drainage authorities are in the process of modernizing drainage records. BWSR would use their experience to develop guidelines for drainage records preservation and modernization to manage drainage systems for improved water quality, maintenance requirements, and effective agricultural drainage. The Local Water Management Challenge Grant program administered by the BWSR has provided up to 50% cost-share for 25 of these drainage records modernization efforts to date.

The Minnesota Public Drainage Manual was published in 1991. It was developed through a cooperative effort of state agencies, local government unit associations, the Minnesota Viewers Association, the UMN, and private drainage attorneys, engineers and contractors. The proposed update of the manual would address clarifications of state drainage law since 1991 and add substantial guidance regarding drainage system "best management practices". A current, comprehensive manual would enhance drainage system management for multiple objectives. The BWSR would lead this change item in cooperation with stakeholders and contract services providers.

Technical expertise and assistance is a critical component of managing public drainage systems for multiple objectives. The proposed establishment of a Drainage Advisory Team would bring together expertise and experience necessary to provide science-based technical assistance to public drainage authorities for planning and implementing drainage management options for multiple objectives. The BWSR would lead the establishment and implementation of this multi-agency and University of Minnesota team.

Relationship to Base Budget
This requests one-time funding of $150,000 for the development of guidelines in FY 2008, and $500,000 for accelerated cost-share grants in FY 2009. On-going funding of $300,000 per year would fund three permanent BWSR staff positions.

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Over the past ten years, the BWSR has granted approximately $580,000 to 25 public drainage authorities for drainage records modernization through the Local Water Management Challenge Grant (LWMCG) Program at a maximum state cost-share rate of 50%. The recent source of funding for the LWMCG Program has been LCMR. In FY 2006, $1 million was received from LCMR for this program.

Key Measures

- ⇒ Drainage Records Modernization Guidelines are completed within one year of the appropriation.
- ⇒ Key components of these guidelines become requirements for state cost-share grants for drainage records modernization.
- ⇒ 75% or more of drainage authorities have implemented drainage records modernization within five years.
- ⇒ The Minnesota Public Drainage Manual is updated within two years, with guidance added for drainage system BMPs to achieve water quality protection and restoration and reduced drainage system maintenance, in conjunction with effective agricultural drainage.
- ⇒ A Drainage Advisory Team is established within one year of the initial appropriation.
- ⇒ This team establishes a good reputation with drainage authorities and other stakeholders for assistance provided to implement drainage system BMPs for multiple objectives, including water and soil resource protection and restoration.

Statutory Changes: It is expected that the Drainage Work Group will recommend clarifications of state drainage law to enhance consistency of management of public drainage systems for multiple objectives, including partnerships with existing state and federal conservation and water quality programs.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1120	$1060	$1060	$1060
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$1,120	$1,060	$1,060	$1,060

Recommendation

The Governor recommends implementing the following priority items to improve the state's implementation of the Wetland Conservation Act (WCA). These items are an outgrowth of the WCA Assessment that was requested by this Administration in 2005, documented workload increases and opportunities to leverage federal funds to support monitoring and assessment of wetland replacements and banking sites.

- Establish an annual appropriation for Water and Soil Resources Board (BWSR) to make grants to local units of governments (LUG) to improve response to major wetland violations ($500,000 annually).
- Increase BWSR staffing to provide adequate state oversight and skilled technical support to local governments administering the WCA ($500,000 annually).
- Establish staff capacity to monitor and enforce wetland replacement and wetland bank sites ($60,000 annually).
- Fund the development of a comprehensive state wetland restoration vision and plan ($60,000 in one-time funding in FY 2008).

Background

Minnesotans take seriously the importance of protecting our valuable wetlands. Although there have been significant enhancements though the agricultural and conservation communities to realize wetland gains, the Governor believes that more should be done to limit the loss of wetlands through the regulatory mechanisms of the state's WCA.

Data reported to BWSR by local government units (LGU's) shows that from 2001-2003, implementation of the WCA resulted in a net gain of wetlands when evaluating regulatory impacts and required wetland replacement. However, when the effects of impacts resulting from exempt activities are factored into this analysis, the result is a net loss of wetlands, averaging more than 450 acres annually.

The Governor asked the Clean Water Cabinet (CWC) and BWSR to report to him on the following wetland issues:

- improvements to the accounting and reporting system for wetlands;
- alternatives to the existing WCA exemptions;
- alternatives to existing WCA replacement ratios;
- improvements to voluntary efforts that build on the success of the past but require a minimum of additional resources; and
- other recommendations deemed appropriate (these include regulatory simplification related to WCA/404; WCA/Swampbuster; WCA/401; and other administrative efficiencies).

BWSR has worked with over 35 stakeholder groups and organizations to review and assess these issues and develop a report and recommendations that include statutory, rule and administrative revisions and additional state and local resources. This assessment will be completed by January 2007 and the report delivered to the Governor.

Efforts are being made as part of the assessment to balance increased workloads with programmatic improvements, however, additional work by LGU's and BWSR are inevitable as part of this process. Increased wetland protection cannot be made without additional effort. Changes that will lead to increased workload that

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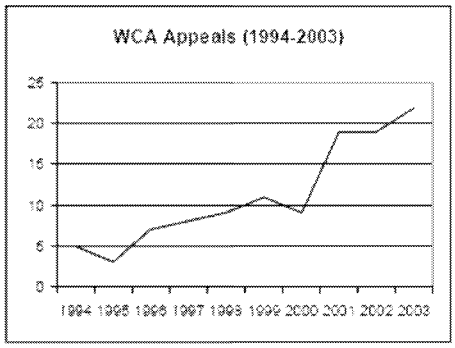
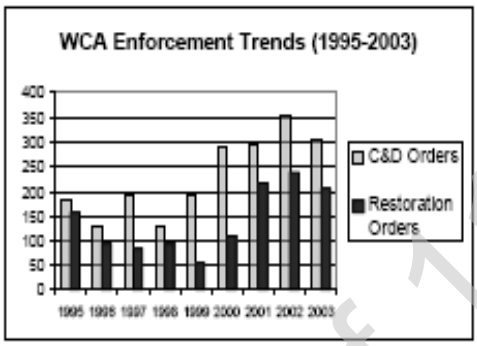
are being considered as part of the assessment include: increased reporting and data collection; increased monitoring for wetland quality and program compliance; and increased regulation through narrowing the scope of exempt activities.

In addition, current workloads are increasing even without changes to the program. From 2001-2003, LGU's report an increased number of landowner contacts, appeals to BWSR have increased, and enforcement activities by the DNR conservation officers and the associated activities have also increased.





The proposed funding will increase the capacity of LGU's and BWSR to work in partnership to protect wetlands, and ensure quality replacement when impacts are unavoidable. This funding will also increase the ability of BWSR to collect and analyze data to measure trends in program effectiveness. More information on the WCA Assessment can be viewed at the BWSR website as follows:
http://www.bwsr.state.mn.us/wetlands/assessment/wcaproject.html

Relationship to Base Budget

The total base budget for BWSR is approximately $15.2 million, of which $11.2 million is pass through funding to counties and soil and water conservation districts, the remaining $4 million funds agency operations. These change items will increase the agency budget in both areas. The proposals will increase the pass through funding by $500,000 annually; and the agency operations budget by $620,000 in FY 2008 and $560,000 beginning in FY 2009.

Currently, BWSR, through the Natural Resources Block Grant allocates $2.17 million to counties and soil and water conservation districts to assist in their responsibilities to administer the WCA. This amount has remained unchanged since 2001.

Key Measures

⇒ LGU's provide complete and accurate data on WCA activities in their jurisdiction based on new requirements
⇒ Wetland losses are reduced due to increased project scrutiny by LGU's.
⇒ The time required to respond and resolve major violations is reduced.
⇒ BWSR LGU spot checks and audits increase by 25%.
⇒ BWSR increases training programs offered to LGU's to two per quarter.
⇒ 10% of wetland replacement sites are monitored annually.

Statutory Change: Statutes likely to be proposed for change as part of the WCA Assessment are Chapters 103B, 103B, 103F, and 103G.

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$50	$50	$50	$50
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$50	$50	$50	$50

Recommendation
The Governor recommends $100,000 over the FY 2008-09 biennium for funding increased costs of space rental for Water & Soil Resources Board (BWSR) operations. Without an increase, additional administrative reductions will be required, primarily in the accounting area.

Background
The board maintains a central office in St. Paul and seven regional offices located throughout the state. Annual space rental costs for BWSR facilities increased $50,000 from FY 2006 to FY 2007, approximately the salary cost of 1 FTE. In the past, unexpected cost increases have resulted in program and staff reductions. This request would allow BWSR to maintain administrative/accounting services to ensure proper management of contracts, grants, expenditures, and procurement.

Relationship to Base Budget
If funded, this request would become a component of the base budget and represents a 1.25% increase in BWSR's administrative budget.

Key Measures
- Provide for fund integrity amongst agency appropriations.
- Maintain adequate controls over programs to assure for independent review of expenditures, payment and return of unused grant funds in a timely manner, and documentation of local match requirements.
- Timely requests for federal funds reimbursement.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$68	$137	$137	$137
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$68	$137	$137	$137

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
Misc Special Revenue	337	0	0	0	0
Total Non-Dedicated Receipts	**337**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Other Revenues:					
Misc Special Revenue	1,573	1,464	1,438	1,438	2,876
Federal	73	500	0	0	0
Other Sources:					
Misc Special Revenue	6	0	0	0	0
Total Dedicated Receipts	**1,652**	**1,964**	**1,438**	**1,438**	**2,876**
Agency Total Revenue	**1,989**	**1,964**	**1,438**	**1,438**	**2,876**

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Agency Purpose

The Workers' Compensation Court of Appeals (WCCA) was established by the legislature as the exclusive statewide authority to decide all questions of law and fact in workers' compensation disputes within the court's appellate jurisdiction as provided by M.S. 175A and 176.

Core Functions

The court consists of five judges appointed by the governor and confirmed by the state senate. The governor designates one of the five as chief judge, who has responsibility for the administration of the court. The court performs an appellate function, reviewing decisions of the Workers' Compensation Division of the Department of Labor and Industry, and the Office of Administrative Hearings. This includes:

- reviewing the evidentiary record created by the initial decision making body;
- presiding over oral arguments;
- conducting necessary legal research;
- deciding the issues; and
- issuing appropriate written orders, decisions, and memoranda. Decisions are written to inform the court's clientele of the basis of the decisions and to create a body of law pertaining to workers' compensation issues. Decisions of this court are appealable directly to the Minnesota Supreme Court.

At A Glance

The court has attempted to produce decisions which are consistent and which bring predictability to the resolution of workers' compensation disputes. We believe that this goal has been achieved to a large extent and has been a factor in reducing the amount of litigation in the workers' compensation system.

The primary factors influencing operations of the court continue to be the number of work-related injuries sustained and the extent of litigation over benefit entitlement. Other factors include workplace safety, new legislation, insurance costs, medical costs, and economic conditions.

Operations

⇒ To deliver services as expeditiously as possible while maintaining the integrity of the decision-making function.

⇒ To produce high quality and consistent decisions on a timely basis in order to provide the quick and efficient delivery of indemnity and medical benefits to qualified injured workers at a reasonable cost to employers.

⇒ To provide economic stability for injured workers and their families in financial crises due to work-related illnesses and injuries.

⇒ To provide for timely cure and treatment of work-related illnesses and injuries.

⇒ To help provide a competitive business climate for Minnesota employers.

⇒ To provide direction and motivation for employers to create safe and healthy work environments for employees.

Key Measures

⇒ The Workers' Compensation Court of Appeals issues its decisions an average of 50 days after oral argument before the court or assignment of the cases to the judges.

⇒ The Workers' Compensation Court of Appeals maintains a web site that provides information, rules and a searchable text of decisions of the court.

Budget

The budget for FY 2006-07 totals $3 million. The WCCA is funded by a direct appropriation from the workers' compensation special fund. The court currently has the equivalent of 14.2 full-time employees.

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Contact

Workers' Compensation Court of Appeals
Minnesota Judicial Center
25 Reverend Dr. Martin Luther King Jr. Boulevard
Saint Paul, Minnesota 55155-1500

WCCA Web Home Page: http://www.workerscomp.state.mn.us. Information available includes: WCCA Decisions 1999 to the Present and Rules of Practice.

General Information:
Phone: (651)296-6526
Fax: (651)297-2520

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Workers Compensation					
Current Appropriation	1,618	1,618	1,618	1,618	3,236
Recommended	**1,618**	**1,618**	**1,663**	**1,710**	**3,373**
Change		0	45	92	137
% Biennial Change from 2006-07					4.2%
Expenditures by Fund					
Direct Appropriations					
Workers Compensation	1,508	1,728	1,663	1,710	3,373
Total	**1,508**	**1,728**	**1,663**	**1,710**	**3,373**
Expenditures by Category					
Total Compensation	1,313	1,406	1,451	1,498	2,949
Other Operating Expenses	195	322	212	212	424
Total	**1,508**	**1,728**	**1,663**	**1,710**	**3,373**
Expenditures by Program					
Workers Comp Ct Of Appeals	1,508	1,728	1,663	1,710	3,373
Total	**1,508**	**1,728**	**1,663**	**1,710**	**3,373**
Full-Time Equivalents (FTE)	**14.1**	**14.1**	**14.1**	**14.1**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: WORKERS COMPENSATION				
FY 2007 Appropriations	**1,618**	**1,618**	**1,618**	**3,236**
Subtotal - Forecast Base	**1,618**	**1,618**	**1,618**	**3,236**
Change Items				
Compensation Adjustment	0	45	92	137
Total Governor's Recommendations	**1,618**	**1,663**	**1,710**	**3,373**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	$45	$92	$92	$92
Revenues	0	0	0	0
Net Fiscal Impact	$45	$92	$92	$92

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 3.25% for costs in other funds.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Other Revenues:					
General	1	0	0	0	0
Total Non-Dedicated Receipts	**1**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**1**	**0**	**0**	**0**	**0**

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➲ Designates that this item is a change item

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Agency Purpose

The Minnesota Zoological Board (MZB) is established by M.S. Chapter 85A and is charged with operating the Minnesota Zoological Garden (Zoo) as an education, conservation, and recreation organization for the collection, propagation, preservation, care, exhibition, interpretation, examination, and study of wild and domestic animals.

The mission of the Zoo is to connect people, animals and the natural world. To accomplish this the Zoo provides award-winning **education, recreation,** and **conservation programs.** The Zoo belongs to the people of Minnesota and its facilities and programs are accessible to all Minnesotans.

The Zoo partners with the Minnesota Zoo Foundation, whose purpose is to raise contributed income from individuals, corporations, and foundations to support the Zoo and its mission. The Foundation also conducts the annual Beastly Ball and other events whose net income support conservation and educational activities.

At A Glance

Zoo Information:

- Nearly one million visitors
- Over 80,000 school children visit annually
- The Zoomobile brings the Zoo to approximately 40,000 Minnesotans each year
- Over 2,100 animals in a diverse collection
- Over 45 endangered species
- Over 1,000 volunteers donating over 92,000 hours

Master Plan Goals:

- Increase the Zoo's ability to deliver environmental education
- Increase the capacity to effect conservation in the Zoo and beyond
- Elevate the Zoo to a premier cultural institution and tourist destination, becoming one of the top ten zoos in the United States

Core Functions

The Zoo provides unique opportunities for Minnesotans and out-of-state visitors to experience and learn about wildlife. These experiences encourage stewardship for animals and nature and foster a greater appreciation for the earth's rich diversity.

The 2001 Facilities Master Plan and 2006 Strategic Plan provide a reaffirmation of the Zoo's mission. The plans establish a clear course of action to continue the Zoo's active engagement in conservation activities and expansion of programs for developing environmentally-knowledgeable citizens. In order to meet the increasingly urgent conservation and natural-science education imperatives facing our state and the world, the Zoo is:

- upgrading guest services and exhibit experiences to match the Minnesota public's evolving sophistication and desire to experience wildlife in more meaningful ways;
- addressing deferred maintenance of the facility to protect the public's investment and health and safety of the collection and our guests;
- improving current exhibits to provide Zoo animals with optimal spaces and enrichment activities that promote the display and interpretation of natural behaviors — and where appropriate — reproduction; and
- delivering programs that provide lifelong learning and engagement with science and conservation activities in a fun environment.

Operations

The MZB is comprised of 30 citizens who are appointed to supervise and oversee the operations of the Zoo. The governor appoints 15 members of the board and another 15 members are appointed by the MZB. An important function of the MZB is to foster private sector support for the Zoo. Private funds raised by the Zoo Foundation built — and provide ongoing operations support for — the award-winning Wells Fargo Family Farm. The Zoo's retail and food service partners have invested over $5 million in capital improvements throughout the Zoo. The MZB appoints an executive director who carries out the directives of the board in the operation of the Zoo. The Zoo is managed to meet and exceed the accreditation standards of the American Zoo and Aquarium Association (AZA), as well as the regulatory requirements of the United States Department of Agriculture (USDA).

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Education programs provide guests with fun, hands-on, relevant educational interactions with the Zoo's plant and animal collection. These programs are designed to foster the development of values supportive of species survival, biodiversity, habitat preservation, and environmental stewardship.

⇒ Educational programming is provided onsite through monorail tours, family programs, Zoo Camp, scout programs, keeper talks, and behind-the-scenes tours.
⇒ Exhibits contain engaging graphics detailing information on animals, their habits, and habitats.
⇒ For those who are unable to visit the Zoo, outreach is provided through Zoomobile programs in schools and communities and web-based information and interactive programming.
⇒ Recently the Zoo has partnered with Mayo Clinic to bring zoo programming into their pediatric section through videos.
⇒ The Zoo develops curricula to help teachers meet required standards and has developed a web-based game to help teach genetics through its "Zoo Matchmaker Game."
⇒ The education department assists in delivery of the innovative curriculum at the School of Environmental Studies in partnership with Independent School District No. 196. This award-winning high school is located on the grounds of the Zoo and utilizes the Zoo collection and the Zoo staff in delivering the school's environmental education program.

The Zoo provides family-oriented **recreational experiences** that are educational as well as entertaining. Guests to the Zoo have fun and leave with a greater understanding, appreciation, and respect for animals and nature.

⇒ Approximately one million visitors come to the Zoo annually, a figure few zoos in the country match.
⇒ New and exciting exhibits are developed as funding is available. Currently, work is being done to completely renovate the Minnesota Trail (2007) and to create a new major exhibit called "Russia's Grizzly Coast" (2008).
⇒ Studies conducted as part of the Master Plan process and recent "Secret Shopper" reports indicate that visitors have a largely positive view of the Zoo and the emphasis on animal viewing experiences in a naturalistic setting.
⇒ Zoo visitors have the opportunity to view live animal shows featuring our dolphins and bird collections. The Farm allows guests to feed and brush goats, along with viewing milking demonstrations.
⇒ The Zoo hosts a summer concert series that is consistently rated the top outdoor venue in the Metropolitan area.

The Zoo is dedicated to delivering **conservation programs** locally, nationally and internationally. Conservation efforts strive to preserve biodiversity and promote an understanding of animals and nature. The Zoo partners with other organizations to promote the survival of threatened and endangered species and ecosystems.

⇒ The Zoo participates in 22 AZA Species Survival Plans. The Zoo supports AZA studbook keepers for eleven species.
⇒ Conservation staff continue to coordinate worldwide tiger conservation programs through the Tiger Global Conservation Strategy and are working with the Chinese government to plan for a program intended to reintroduce the South China Tiger back into the wild.
⇒ Other successful re-introduction programs the Zoo participates in include Trumpeter Swans in Minnesota (in cooperation with the Department of Natural Resources) and Asian Wild Horses in Mongolia.

Key Measures

Education Programs

⇒ Over 300,000 participants are served through Zoo education programs annually, making the Zoo the largest environmental learning center in the state.
⇒ More than 80,000 K-12 students from approximately 1,700 schools visit the Zoo annually.
⇒ Participant review is utilized to evaluate the overall effectiveness and efficiency of the Education Programs unit in fulfilling its mission of conservation education.
⇒ Teacher Focus Groups are used to evaluate existing programs and provide direction for new programming.
⇒ Zoomobile has traveled over 32,000 miles bringing programs to over 38,000 people. Goal is to increase people participating in Zoomobile outreach programs by 2,000 over FY 2008-09.

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Recreation Programs

⇒ All Zoo facilities are kept clean with attention to aesthetics to enhance the guest experience.
⇒ Design, construction, and repairs to exhibits ensure that the collection is provided with safe and environmentally adequate surroundings.
⇒ Surveys are utilized to determine the effectiveness of marketing efforts and guest satisfaction with the collection, programs, and facilities. Goal is to improve ratings in a minimum of three surveyed items.
⇒ Marketing plans are developed to focus on education and conservation efforts while generating interest and the attendance necessary to make budgetary goals. Goal is to increase attendance by 10% by the end of the FY 2008-09 biennium.
⇒ Goals are established to assure growth in revenue. Earned income and corporate partnerships help to support the mission of the Zoo. Goal is to increase membership by 25% from FY 2007 to end of FY 2009.

Conservation Programs

⇒ The Animal Collection Plan is maintained to guide the Zoo's long-range planning and the cooperative efforts of the conservation and education programs to create rich experiences for our guests
⇒ The Conservation Plan is utilized to define, prioritize, and guide the Zoo's local and international conservation goals.
⇒ An exhibit master plan has been completed to evaluate and define each exhibit trail's mission, organization, and species selection, and to guide future growth of the Zoo and its collection.
⇒ The Zoo measures guest understanding and enjoyment of the exhibits and programs through surveys.
⇒ Maintain accreditation from the AZA under their increasingly rigorous standards.

Budget

Funding of the operating budget of the Zoo is a combination of General Fund and Natural Resources Fund dollars, earned income from charges to visitors at the Zoo, and contributions from the private sector. In the past decade the percentage of state funding has declined, while earned revenue and contributions have increased. In the early 1980s the state appropriation was approximately 60% of the total operating budget. In FY 2006 the state appropriation was approximately 39% of the total operating budget.

The Minnesota Zoo Foundation, with the support of the MZB, plans to use recently appropriated state bond funds as leverage to launch a comprehensive campaign for private capital and operating funds.

Approximately 216 people are permanent full, part-time or intermittent employees. During the peak summer months the Zoo adds a large number of part-time and temporary employees and student interns to handle the increased operation needs. They bring the full-time number to 244.

Contact

Peggy Adelmann, Chief Financial Officer
Minnesota Zoo
(952) 431-9309
E-mail: Peggy.Adelmann@state.mn.us

The Minnesota Zoo web site at www.mnzoo.org gives guests easy access to useful information about the Minnesota Zoo, its collection of animals, and the Zoo's involvement in conservation activities.

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Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	6,439	6,439	6,439	6,439	12,878
Recommended	**6,439**	**6,439**	**6,813**	**6,940**	**13,753**
Change		0	374	501	875
% Biennial Change from 2006-07					6.8%
Natural Resources					
Current Appropriation	135	135	135	135	270
Recommended	**135**	**135**	**137**	**138**	**275**
Change		0	2	3	5
% Biennial Change from 2006-07					1.9%
Expenditures by Fund					
Direct Appropriations					
General	6,439	6,439	6,813	6,940	13,753
Natural Resources	135	135	137	138	275
Statutory Appropriations					
Misc Special Revenue	9,064	9,713	10,212	11,743	21,955
Miscellaneous Agency	385	0	0	0	0
Gift	1,025	1,476	1,368	1,253	2,621
Total	**17,048**	**17,763**	**18,530**	**20,074**	**38,604**
Expenditures by Category					
Total Compensation	11,362	12,023	12,531	13,575	26,106
Other Operating Expenses	5,553	5,481	5,823	6,325	12,148
Capital Outlay & Real Property	5	0	0	0	0
Other Financial Transactions	128	259	176	174	350
Total	**17,048**	**17,763**	**18,530**	**20,074**	**38,604**
Expenditures by Program					
Zoo Board	17,048	17,763	18,530	20,074	38,604
Total	**17,048**	**17,763**	**18,530**	**20,074**	**38,604**
Full-Time Equivalents (FTE)	**192.1**	**192.9**	**197.0**	**205.5**	

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Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**6,439**	**6,439**	**6,439**	**12,878**
Subtotal - Forecast Base	**6,439**	**6,439**	**6,439**	**12,878**
Change Items				
Utilities	0	250	250	500
Compensation Adjustment	0	124	251	375
Total Governor's Recommendations	**6,439**	**6,813**	**6,940**	**13,753**
Fund: NATURAL RESOURCES				
FY 2007 Appropriations	**135**	**135**	**135**	**270**
Technical Adjustments				
One-time Appropriations		(135)	(135)	(270)
Subtotal - Forecast Base	**135**	**0**	**0**	**0**
Change Items				
Lottery in Lieu	0	137	138	275
Total Governor's Recommendations	**135**	**137**	**138**	**275**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**9,713**	**10,212**	**11,743**	**21,955**
Total Governor's Recommendations	**9,713**	**10,212**	**11,743**	**21,955**
Fund: GIFT				
Planned Statutory Spending	**1,476**	**1,368**	**1,253**	**2,621**
Total Governor's Recommendations	**1,476**	**1,368**	**1,253**	**2,621**

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Natural Resources Fund				
Expenditures	$137	$138	$138	$138
Revenues	0	0	0	0
Net Fiscal Impact	$137	$138	$138	$138

Recommendation
The Governor recommends $137,000 in FY 2008 and $138,000 in FY 2009 for the Minnesota Zoological Garden from the Natural Resources Fund. This recommendation is based on Lottery revenue increases projected for the FY 2008-09 biennium.

Background
M.S. 297A.94 outlines the distribution for 72.43% of the lottery in lieu of sales tax revenues collected under M.S. 297A.259. Of the 72.43%, the commissioner of revenue is required to deposit half of the receipts into the Natural Resources Fund. From this amount, 2% of the receipts are restricted for purposes of the Minnesota Zoological Garden, the Como Park Zoo, and the Duluth Zoo. In the FY 2004-05 biennium, Laws of 2003, Chapter 128, Art. 1, Sec. 4, the Zoo received an appropriation of $121,000 for FY 2004 and $124,000 for FY 2005. Appropriations of $135,000 have been made in FY 2006 and FY 2007.

The estimated appropriation is based on the Minnesota State Lottery's projection of lottery sales and the estimated revenues for FY 2007 through FY 2009. These projections have also been incorporated into the state budget forecast of the Natural Resources Fund.

The Minnesota Zoo generally uses these funds to supplement repair, replacement, and betterment projects. These projects consist of regular maintenance and necessary inspections. The items funded do not meet the constitutional requirements for funding through asset preservation bonds.

Relationship to Base Budget
Appropriations made from the lottery in lieu are not included in the base budget. In FY 2007, funds allocated for repair, replacement, and betterment totaled $147,500.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$250	$250	$250	$250
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$250	$250	$250	$250

Recommendation
The Governor recommends adjusting the General Fund appropriation to help cover utility costs that have increased dramatically over the past four years.

Background
The Zoo occupies 485 acres of land and maintains 490,000 sq. ft. of building space. As with other organizations with a large physical plant, the increase in utility costs has been difficult to manage in the past few years. While conditioned space for staff may allow for some conservation measures, such as dialing back a thermostat, the Zoo does not have the ability to cut utility costs in the animal areas without jeopardizing the animals' health. To maintain the physical plant and the health of the animal collection, the Zoo has had no choice but to redirect funds from other program budgets.

Relationship to Base Budget
Cost increases for utilities from FY 2002 to FY 2006 increased by $468,518 or 46.5%. Projections for FY 2007 show an increase of an additional $206,153 over FY 2006, a one-year increase of almost 14%. The Zoo has implemented a number of energy saving measures through the Department of Administration (DOA) no interest loan program and these numbers reflect those projected savings. For the Zoo to continue to absorb these types of increases requires reductions in areas that significantly impact the operation of the Zoo and could potentially have a negative impact on the visitor experience.

Statutory Change: Not Applicable

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Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$124	$251	$251	$251
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$124	$251	$251	$251

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Taxes:					
General	35	0	0	0	0
Total Non-Dedicated Receipts	**35**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	9,305	9,382	9,583	11,653	21,236
Other Revenues:					
Misc Special Revenue	91	90	90	90	180
Gift	867	1,147	1,194	1,253	2,447
Other Sources:					
Miscellaneous Agency	385	0	0	0	0
Total Dedicated Receipts	**10,648**	**10,619**	**10,867**	**12,996**	**23,863**
Agency Total Revenue	**10,683**	**10,619**	**10,867**	**12,996**	**23,863**

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